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FISCAL YEAR 1991 SUPPLEMENTAL APPROPRIATIONS FOR OPERATION DESERT SHIELD/DESERT STORM

HEARING

BEFORE THE

COMMITTEE ON APPROPRIATIONS
UNITED STATES SENATE

ONE HUNDRED SECOND CONGRESS

FIRST SESSION

SPECIAL HEARING

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FISCAL YEAR 1991 SUPPLEMENTAL APPROPRIATIONS FOR OPERATION DESERT SHIELD/DESERT STORM

TUESDAY, FEBRUARY 26, 1991

U.S. SENATE,
COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The committee met at 10:15 a.m., in room SD–192, Dirksen Senate Office Building, Hon. Robert C. Byrd (chairman) presiding.

Present: Senators Byrd, Inouye, Hollings, Burdick, Leahy, Sasser, DeConcini, Bumpers, Lautenberg, Harkin, Mikulski, Reid, Adams, Kerrey, Hatfield, Stevens, Garn, Cochran, Kasten, D'Amato, Rudman, Specter, Domenici, Nickles, Gramm, Bond, and Gorton.

OFFICE OF MANAGEMENT AND BUDGET

AND

DEPARTMENT OF DEFENSE

STATEMENTS OF:

RICHARD DARMAN, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET

DONALD J. ATWOOD, DEPUTY SECRETARY OF DEFENSE, DEPARTMENT OF DEFENSE

ACCOMPANIED BY SEAN O'KEEFE, COMPTROLLER, DEPARTMENT OF DEFENSE

OPENING REMARKS OF CHAIRMAN BYRD

Chairman BYRD. The committee will be in order.

Today's hearing has been scheduled to take the testimony of OMB Director Darman and Defense Secretary Cheney on the President's request for appropriations to cover the estimated incremental costs of Operation Desert Shield/Desert Storm for the period from October 1, 1990 through March 31, 1991 and for the associated costs of redeployment and return of our personnel.

This morning, we have been informed that Secretary Cheney was requested by the President to come to the White House, and with that understanding, Deputy of Defense Donald Atwood will testify for the time being. It is hoped that Secretary Cheney will be able to come to the committee hearing during the day at some point, and we have so indicated that we hope that will be the case.

This committee will do everything that it can do to see that all necessary authority and funding are provided to the President in a timely manner to enable our military to carry out its mission at whatever level our Commander-in-Chief deems appropriate, through March 31.

At the same time, however, we will want to assure ourselves that the amounts requested are only the incremental costs of the Defense Department, over and above the amounts already provided for normal, peacetime operations.

A most important issue will be the level of financial participation by our allies in this effort. From the information available to date, allied commitments to the United States are impressive—may we have order?—totaling $53.5 billion for the period from October 1, 1990 through March 31, 1991. However, the payments to date on those commitments total only $14.9 billion, or 28 percent. If our goal is to have all of the allied funds in hand by March 31, we have a long way to go, and in view of the rapidly breaking news, we are all led to believe, I think, and quite properly, that the end of hostilities is near.

One way or the other, the end is going to come probably before most of us thought it would come. Therefore, I think the members of this committee and of the Senate, and certainly, I am very concerned that that being the likely case, will the allies come forward with their commitments or will they feel that, once the hostilities have ended, the pressure on them to comply with their promises will lighten?

During this hearing, the details of allied contributions, then, will be discussed at some length. Let me say at the outset, the pace at which we are receiving contributions from our allies is of real concern. I understand the political problems facing some countries, but those problems do not face the cash-rich gulf states.

According to a November 1990 report from the Bank of International Settlements, the United Arab Emirate's liquid assets in mid-1990 were over $30 billion. The UAE has had an additional windfall of around $5 billion because of the rise in oil prices resulting from this conflict. Her GNP went up 26 percent in 1990, one-half of which came from a 52-percent increase in oil sales, a windfall from the war.

Her total Federal revenues climbed over 16 percent in 1990. On the chart that has been submitted with testimony, we can see that the final UAE contribution for the first quarter of 1991 is under discussion.

So the UAE is the only country which, two-thirds of the way through the first quarter, cannot even give us a promise, or at least a final and complete commitment.

If any country has the present ability to contribute generously, it is the UAE, the United Arab Emirates. What is wrong with the UAE? I would think that the $7 to $8 billion is minimal for the UAE contribution. Yet, as the charts will show, the maximum amount pledged thus far by the UAE is $3 billion in total.

Here is a government that could wire us $10 billion in cash overnight and hardly miss it. Japan has pledged $9 billion toward the gulf effort, and at this point, we are awaiting action by the Japanese Diet on this pledge.

What if the Diet says no on the commitment from its government? Japan is one of the wealthiest nations in the world, with a GNP of $3 trillion, an unemployment rate of just over 2 percent, and an annual trade surplus with the United States alone that is between $40 and $50 billion. And in recent years it has run above $50 billion. But at the same time, Japan is 100 percent dependent on imported oil and has everything to gain from being part of this coalition. Promises are cheap. Honoring commitments and doing one's duty are what is at issue here with the Japanese and with some of the other countries.

We must not get ourselves into the position of having to bear the entire burden for this war in terms of the lives that would be lost, of men and women who will suffer permanent disabilities from this war, of the disruption to the lives of family members of those serving in the war, and the pain that those who lose their loved ones will feel for the rest of their lives.

We have made that decision, and have, as a Nation, reconciled ourselves to the inevitablity of these terrible human costs, but it would be totally unbearable and unacceptable if we were also made to bear the financial costs as well. I want to emphasize how critical it is that our allies meet their commitments, in full and on time.

So while I compliment the efforts of the administration to secure $53.5 billion in commitments from our allies, I cannot emphasize too strongly how important it is for those commitments to be paid in full as quickly as possible, hopefully by the March 31 date which I believe was set by the administration.

I will now yield to Senator Hatfield for any opening statement he may wish to make, after which we will proceed with the opening statements of Mr. Darman and Mr. Atwood and hopefully, Mr. Cheney later in the afternoon, and in that order.

Senator Hatfield.

Senator **Hatfield**. Thank you, Mr. Chairman. I have no opening statement and suggest we proceed to hear from the witnesses.

Chairman **Byrd**. I would now like to ask that the witnesses be as concise as possible in responding to the questions asked by members of the committee. We have a lot of ground to cover, and in order to give all Senators an opportunity to ask questions we will allot 10 minutes to each Senator. Let's go until 1:30 p.m. and then recess for 30 minutes and continue at 2 p.m.

Mr. Darman, why don't you proceed now with your opening statement.

PREPARED STATEMENT

Mr. **Darman**. Thank you very much, Mr. Chairman. With your permission, Mr. Chairman, I would ask that my full statement will included the record and that I be permitted a few minutes of oral summary.

Chairman **Byrd**. There being no objection, the full statement will appear in the record.

[The statement follows:]

STATEMENT OF RICHARD DARMAN

Chairman Byrd, Ranking Republican Senator Hatfield, distinguished members of the Senate Appropriations Committee: It is a pleasure to appear before you today. I am pleased, also, to be here with Secretary of Defense Cheney, who is able to discuss issues of defense policy more authoritatively than am I. With your understanding, I shall confine my remarks to budget-related elements of Operation Desert Shield, which includes Desert Storm.

As you know, the President transmitted to the Congress on Friday a request for supplemental defense appropriations in support of Operation Desert Shield/Desert Storm.

The requested supplemental is for the estimated incremental costs of Operation Desert Shield/Storm for the period October 1, 1990 through March 31, 1991. It is comprised of two basic elements:

Working Capital.—$15 billion in budget authority to establish and fund the Desert Shield Working Capital Account.

This account would be funded initially by resources from the United States Government. Its funds would be available for transfer by the Secretary of Defense, with the approval of the Office of Management and Budget, in order to maintain continuity of payment for the incremental costs of Operation Desert Shield/Storm.

The Working Capital Account would be replenished by foreign contributions as funds become available from the Defense Cooperation Account. Any balance in the Working Capital Account available after payment of all Desert Shield/Storm incremental costs would revert to the Treasury.

This $15 billion request is approximately equal to the (net) Desert Shield "placeholder" already included in the President's Budget and in the associated deficit estimates.

Foreign Contributions.—Authority to transfer funds from the Defense Cooperation Account, the purpose of which is to receive current and anticipated foreign contributions.

Such transfers would be made by the Secretary of Defense, with the approval of the Office of Management and Budget, to reimburse defense appropriation accounts depleted by the incremental costs of Operation Desert Shield/Storm.

The Defense Cooperation Account currently holds $11.2 billion in foreign cash contributions received. Additional foreign contributions committed to Operation Desert Shield/Desert Storm, but not yet received, total $38.6 billion.

BACKGROUND

The Omnibus Reconciliation Act of 1990 provided that: "The costs for Operation Desert Shield are to be treated as emergency funding requirements not subject to the defense spending limits. * * * Emergency Desert Shield costs mean those incremental costs associated with the increase in operations in the Middle East and do not include costs that would be experienced by the Department of Defense as part of its normal operations absent Operation Desert Shield."

In developing the Administration's supplemental request, we have attempted to live within the letter and spirit of this provision of law. Applying the Desert Shield "incremental cost" standard, estimates have been developed for the following categories—with incremental costs as noted:

[In billions of dollars]

	Daily rate	Total
For the period October 1, 1990–December 31, 1990 (that is, the first quarter of fiscal year 1991—prior to combat) incremental costs already incurred (NOTE: Total incremental costs for the period August 2, 1990–December 31, 1990 are $11.1 billion, for which $2 billion has already been appropriated in an fiscal year 1990 supplemental.)	0.100	9.1
For the period January 1, 1991–March 31, 1991, incremental costs of reserve call-up, imminent danger pay, transportation, fuel, in-country costs, and support for over 500,000 personnel (that is, the "base" incremental costs for the second quarter of fiscal year 1991—excluding the costs of combat, which began in this quarter)	0.137	12.3
Additional costs of combat, which commenced on January 16, 1991; which can vary widely day-to-day depending on tactics, enemy conduct, weather, et cetera and which cannot be definitively estimated with respect to the future	0.150–1.650	NA

[In billions of dollars]

	Daily rate	Total
Specifically identified near-term investment requirements necessary: (a) to move back toward previously planned inventory levels for selected munitions and expendables; and (b) to accelerate acquisition of combat support equipment and weapons systems modifications	NA	6.4
Incremental in-theater costs during orderly postcombat phasedown	NA	7.0
Return of personnel and equipment, as appropriate (including return of ready reserve fleet to nondeployed status and payment for reservist accrued leave)	NA	5.2

NA = Not available.

Transfers from the Working Capital and Defense Cooperation Accounts would be to accounts associated with each of the foregoing categories, in the approximate order of their presentation above.

Supporting detail for the estimates in each of these categories has been provided directly to the Committee, and is summarized here at Tables 1, 2, 3, 4, 5, and 6. The Administration has indicated that it is willing to provide relevant cost (and foreign contribution) data to the Congress routinely during Operation Desert Shield/Storm.

The incremental costs for the period October 1, 1990–March 31, 1991 (plus redeployment and return) total nearly $40 billion plus the incremental costs of combat, which cannot be definitively estimated at this point.

Total foreign commitments through March 31, 1991 total $53.5 billion, including in-kind contributions. (See Tables 7, 8, 9, and 10.) If foreign commitments are fully honored, and if hostilities end by March 31, the $15 billion Working Capital account should be sufficient to cover the U.S. share of incremental costs. If these conditions are not met, however, it may be necessary to seek additional foreign contributions and U.S. appropriations.

It is important, for obvious reasons, that the Desert Shield defense supplemental be enacted promptly. Therefore, we have not included non-defense or extraneous matters in this supplemental request. (We have submitted non-defense supplemental requests separately for what we hope may be separate legislative treatment.)

With that by way of introduction, please let me conclude by thanking you again for inviting us to testify so soon after the President submitted his request. And let me try to respond to your questions.

TABLE 1.—*Calendar year 1990 Desert Shield incremental baseline costs*

[In millions of dollars]

	CY 1990
Military personnel:	
Reserve callup	742
Imminent danger pay	124
Reserves on active duty	253
Other Guard/Reserve	−114
Other Milpers	392
Total Milpers	1,397
Operation and maintenance:	
Transportation	3,001
Fuel—incremental	893
OPTEMPO	1,240
In-country	1,035
Equipment procurement	268
Subsistence	126
RC activation	194
Equipment maintenance	349
Camouflage	416
Hospital/supply ships	99
Medical support	246
Special operating forces	8
Comm./map production	277

	CY 1990
Other Milpers support	−5
Total O&M	8,147
Milcon	133
Investment	367
Stock fund	41
Fuel—price increase	1,009
Grand total	11,094
Less fiscal year 1990 appropriated funds	−2,028
Oct.-Dec. incremental cost estimate	9,066

TABLE 2.—*January-March 1991 Desert Shield incremental baseline cost estimate*

[Less combat]

	Millions
Military personnel:	
Reserve callup	2,351
Imminent danger pay	152
Reserves on active duty	45
Other Guard/Reserve	−325
Other Milpers	498
Total Milpers	2,721
Operation and maintenance:	
Transportation	1,505
Fuel—incremental	474
OPTEMPO	1,704
In-country	855
Equipment procurement	243
Subsistence	812
RC activation	750
Equipment maintenance	905
Camouflage	148
Hospital/supply ships	28
Medical support	300
Special operating forces	36
Comm./map production	290
Other Guard/Reserve O&M	-223
Other Milpers support	152
Total O&M	7, 979
Milcon	122
Investment	519
Stock fund	301
Fuel—price increase	676
Grand total	12,318

NOTE.—Estimate subject to change.

TABLE 3.—*Estimates for combat*

The following represent combat loss and cost estimates for notional days of combat in Desert Storm. The estimates include increased operating tempo; maintenance; prisoner support; medical transportation; ammunition; missiles; and replacement of aircraft, naval vessels, ground equipment and vehicles. Individually, they illustrate the effects of variations in factors such as the operational mission, conflict intensity and the level of participation of air and ground forces. In addition, the reliability of each approximation also depends on less predictable variables, such as weather, enemy intentions and capabilities.

Any attempt to combine individual estimates to compile a summary estimate of combat losses and costs is complicated by the nature of the operational plan, enemy initiatives and battlefield results taken on a daily basis.

[In millions of dollars]

	Daily rate
Case 1: Air campaign only. Losses include 1 F-15E and 1 F/A-18 plus the expenditure of munitions	200
Case 2: Air campaign only. No aircraft losses, only the expenditure of munitions	150
Case 3: Air campaign only. Losses include 1 F-117, F-16, 1 A-6, and 1 F-14, plus the expenditure of munitions	400
Case 4: Ground campaign with associated air support. Losses include 1 A-10, 1 AV-8, 25 tanks, 22 IFV's, 32 APC's, 13 artillery pieces, 6 helos, 1 LCAC, and 1 AAV, plus the expenditure of munitions	800
Case 5: Ground campaign with associated air support. Losses include 1 F-15, 1 A-10, 1 F/A-18, 1 F-16, 1 guided missile frigate (FFG), 44 tanks, 40 IFV's, 60 APC's, 25 artillery pieces, and 17 helos, plus the expenditure of munitions	1,650
Case 6: Ground campaign with associated air support. Losses include 1 F-15E, 11 tanks, 10 IFV's, 15 APC's, 7 artillery pieces, and 4 helos, plus the expenditure of munitions	400

LEGEND.—IFV, Infantry Fighting Vehicle (Bradley); APC, Armored Personnel Carrier; LCAC, Landing Craft Air Cushioned; and AAV, Amphibious Assault Vehicle.

TABLE 4.—FISCAL YEAR 1991 DESERT SHIELD/STORM INVESTMENT SUPPLEMENTAL

[In millions of dollars]

	Accelerated acquisition	Production surge	Total
Army:			
Aircraft procurement	35.7		35.7
Missile procurement	128.0	1,152.8	1,280.8
Procurement of weapons and tracked combat vehicles	26.3		26.3
Procurement of ammunition		1,248.7	1,248.7
Other procurement	191.9		191.9
RDT&E	9.1		9.1
Total	391.0	2,401.5	2,792.5
Navy:			
Aircraft procurement	56.5		56.5
Weapons procurement	12.0	1,920.1	1,932.1
Other procurement	44.0	9.7	53.7
Procurement, Marine Corps	120.2	133.2	253.4
Total	232.7	2,063.0	2,295.7
Air Force:			
Aircraft procurement	111.2		111.2
Missile procurement	30.0	540.0	570.0
Other procurement	42.7	564.4	607.1
Total	183.9	1,104.4	1,288.3
Defense agencies:			
Procurement	47.2		47.2
RDT&E	6.7		6.7
Total	53.9		53.9
Grand total	861.5	5,568.9	6,430.4

TABLE 5.—*Estimated postcombat phasedown costs*

	Billions
Personnel support.—Incremental cost of pay, and other military personnel costs including reservists on active duty and imminent danger pay for personnel in theater	$3.9

TABLE 5.—*Estimated postcombat phasedown costs—Continued*

	Billions
Training.—Training at reduced levels. Reflects consumption of supplies and materials due to desert environment	.3
Transportation.—Movement of equipment dispersed throughout the theater of operation to staging areas for redeployment and transport of supplies such as repair parts, subsistence, and APO mail	.6
Maintenance.—All equipment will be inspected, fully repaired using in-theater spare parts/required services performed, and prepared for shipment. For the Naval forces, emergent repairs and essential intermediate maintenance will be accomplished to ensure a safe redeployment	.6
Sustainment of forces.—Includes base support infrastructure, medical support, morale, and welfare for troops and troop subsistence	1.2
Ship deployment.—Naval forces called up from training status will continue to be deployed in the region during the phasedown period	.3
Facility dismantlement.—Temporary structures and facilities will be dismantled	.1
Estimated cost	7.0

TABLE 6.—*Return of personnel and equipment*

ARMY

	Millions
Military personnel, Army requirements:	
Deactivation PCS	102.0
Guard/Reserve accrued leave	204.7
Subtotal	306.7
Operation and maintenance, Army requirements:	
Transportation	3,000.0
Reception of units	123.8
European force replacement	17.3
POMCUS/war reserve replacement	445.3
Subtotal	3,586.4
Total, Army	3,893.1

NAVY

Military personnel, Navy requirements:	
Deactivation PCS	26.4
Navy accrued leave	20.0
Subtotal	46.4
Operation and maintenance, Navy requirements:	
Transportation	360.0
Deactivation of RRF	180.0
Subtotal	540.0
Total, Navy	586.4

MARINE CORPS

Military personnel, Marine Corps requirements:	
Deactivation PCS	26.4
Reserve accrued leave	57.0
Total, Marine Corps	83.4

AIR FORCE

Military personnel, Air Force requirements:	
Deactivation PCS	26.0

Guard/Reserve accrued leave	49.2
Subtotal	75.2
Operation and maintenance, Air Force requirements:	
Airlift	361.0
Sealift	80.0
AVPOL	94.9
OPTEMPO	18.1
Subtotal	554.0
Total, Air Force	629.2
Grand total	5,192.1

TABLE 7.—DESERT SHIELD: CALENDAR YEAR 1990 AND 1991 FOREIGN COMMITMENTS TO THE UNITED STATES [1]

[In millions of dollars]

	Commitments			Receipts			Future receipts
	1990	1991	Total	Cash [2]	In-kind	Total	
GCC states	6,845	29,000	35,845	8,827	1,716	10,543	25,302
Saudi Arabia	3,339	13,500	16,839	4,457	1,566	6,023	10,816
Kuwait	2,506	13,500	16,006	3,500	10	3,510	12,496
UAE	1,000	[3] 2,000	3,000	870	140	1,010	1,990
Germany	1,072	5,500	6,572	2,432	531	2,963	3,609
Japan	[4] 1,740	[5] 9,000	10,740	866	457	1,323	9,417
Korea	[6] 80	305	385	50	21	71	314
Others	3		3		3	3	
Total	9,740	43,805	53,545	12,175	2,728	14,903	38,642

[1] Data compiled by OMB. Sources of data: Commitments—Defense, State, Treasury; cash received—Treasury; receipts and value of in-kind assistance—Defense.

[2] $1 billion has been released from the defense cooperation account to Defense in accordance with the fiscal year 1991 appropriations act.

[3] An additional amount above the $2 billion is under discussion.

[4] Japan pledged $260 million to other coalition forces for total contributions of $2 billion.

[5] Under consideration by Diet.

[6] Korea pledged $15 million to other coalition forces for total contributions of $95 million.

TABLE 8.—DESERT SHIELD: CALENDAR YEAR 1990 FOREIGN COMMITMENTS TO THE UNITED STATES [1]

[In millions of dollars]

	Commitments	Receipts			Future receipts
		Cash [2]	In-kind	Total	
GCC states	6,845	4,177	971	5,148	1,697
Saudi Arabia	3,339	807	854	1,661	[3] 1,678
Kuwait	2,506	2,500	6	2,506	
UAE	1,000	870	111	981	[3] 19
Germany	1,072	272	531	803	[4] 269
Japan	[5] 1,740	866	457	1,323	[4] 417
Korea	[6] 80	50	21	71	[4] 9
Others	3		3	3	
Total	9,740	5,365	1,983	7,348	2,392

TABLE 8.—DESERT SHIELD: CALENDAR YEAR 1990 FOREIGN COMMITMENTS TO THE UNITED STATES [1]—Continued

[In millions of dollars]

	Commitments	Receipts			Future receipts
		Cash [2]	In-kind	Total	
U.S. share of calendar year 1990 incremental costs	1,354				
Total calendar year 1990 incremental costs	11,094				

[1] Data compiled by OMB. Sources of data: Commitments for August–December 31—Defense, State, Treasury; cash received—Treasury; receipts and value of in-kind assistance—Defense; total cost for August–December 31—Defense.

[2] $1 billion has been released from the defense cooperation account to Defense in accordance with the fiscal year 1991 appropriations act.

[3] Cash reimbursement from Saudi Arabia and UAE awaiting bill from Defense. Saudi reimbursement includes enroute transportation through December for the second deployment and in-theater expenses for food, building materials, fuel, and support.

[4] In-kind assistance from Germany, Japan, and Korea. Orders made and receipt of good expected soon.

[5] Japan pledged $260 million to other coalition forces for total contributions of $2 billion.

[6] Korea pledged $15 million to other coalition forces for total contributions of $95 million.

TABLE 9.—DESERT SHIELD MILITARY ASSISTANCE CALENDAR YEAR 1991 (JAN. 1–MAR. 31) COMMITMENTS

[In millions of dollars]

	Commitments	Receipts			Future receipts
		Cash	In-kind	Total	
GCC states	29,000	4,650	745	5,395	23,605
Saudi Arabia	13,500	3,650	712	4,362	9,138
Kuwait	13,500	1,000	4	1,004	12,496
UAE	[1] 2,000		29	29	1,971
Germany	5,500	2,160		2,160	3,340
Japan	[2] 9,000				9,000
Korea	305				305
Others					
Total	43,805	6,810	745	7,555	36,250

[1] An additional amount above the $2 billion is under discussion.

[2] Under consideration by Diet.

TABLE 10.—*Defense cooperation account*

	Millions
Received	$12,175
Interest	70
Total	12,245
Withdrawals	[1] 1,000
Balance	11,245

[1] Appropriated in the fiscal year 1991 appropriations act.

Source: Department of Defense.

STATEMENT OF RICHARD DARMAN

Mr. **DARMAN**. Thank you, Mr. Chairman.

Chairman Byrd, ranking Republican Senator Hatfield, distinguished members of the Senate Appropriations Committee, it is a pleasure to appear before you today. I am pleased also to be here with Deputy Secretary of Defense Atwood, who is able to discuss issues of defense policy more authoritively than am I.

With your understanding, I shall confine my remarks to budget-related elements of Operation Desert Shield, which includes Desert

Storm. As you know, the President transmitted to the Congress on Friday a request for a supplemental defense appropriations in support of Operation Desert Shield and Desert Storm.

The requested supplemental is for the estimated incremental costs of Operation Desert Shield for the period October 1, 1990 through March 31, 1991.

It is comprised of two basic elements: First, working capital. It is requested that there be established a $15 billion account, the Desert Shield "Working capital" account, with budget authority to establish and fund this account, and this authority would be budget authority from the U.S. Government.

Its funds would be available for transfer by the Secretary of Defense with the approval of the Office of Management and Budget in order to maintain continuity of payment for the incremental costs of Operations Desert Shield and Storm.

The "Working capital" account would be replenished by foreign contributions as the funds became available from the already existing "Defense cooperation" account. Any balance in the "Working capital" account available after payment of all Desert Shield and Storm incremental costs would revert to the Treasury.

I would note that this $15 billion request is approximately equal to the net Desert Shield placeholder already included in the President's budget and in the associated deficit estimates.

The second basic element involves foreign contributions, where we request authority to transfer funds from the "Defense cooperation" account, the purpose of which now is to receive current and anticipated foreign contributions.

Such transfers would be made by the Secretary of Defense with the approval of the Office of Management and Budget to reimburse defense appropriation accounts depleted by the incremental costs of Operations Desert Shield and Storm.

The "Defense cooperation" account currently holds $11.2 billion in foreign cash contributions received. Additional foreign contributions committed to Operation Desert Shield but not yet received total $38.6 billion. As a matter of background, Mr. Chairman and members of the committee, I would note that the Omnibus Reconciliation Act of 1990 provided that:

> The costs for Operation Desert Shield are to be treated as emergency funding requirements, not subject to the defense spending limits. Emergency Desert Shield costs mean those incremental costs associated with the increase in operations in the Middle East and do not include costs that would be experienced by the Department of Defense as part of its normal operations absent Operation Desert Shield.

In developing the administration's supplemental requests, we have attempted to live strictly within the letter and spirit of this provision of law. Applying the Desert Shield incremental costs standards, estimates have been developed for the specific categories elaborated in our prepared testimony and in the associated 109 pages of detail which we have submitted independently to the committee.

The incremental costs for the period October 1, 1990 through March 31, 1991, plus the costs of redeployment and return, total nearly $40 billion, plus the incremental costs of combat, which cannot be definitively estimated at this point.

Total foreign commitments through March 31, as you have noted, Mr. Chairman, are $53.5 billion, including in-kind contributions.

The detail of this is provided at tables 7, 8, and 9 of the prepared testimony. If foreign commitments are fully honored, as we fully expect they will and should be, and if hostilities end by March 31, as we all certainly hope they will, the $15 billion in working capital for the "Working capital" account should be sufficient to cover the U.S. share of incremental costs.

If these conditions are not met, however, it might be necessary to seek additional foreign contributions and/or U.S. appropriations. It is important for obvious reasons that the Desert Shield defense supplemental be enacted promptly. Therefore, we have not included nondefense or extraneous matters in this supplemental request.

We have submitted nondefense supplemental requests separately for what we hope may be separate legislative treatment. With that by way of introduction, Mr. Chairman and members of the committee, please let me conclude by thanking you again for inviting us to testify, and thanking you, Mr. Chairman, for scheduling this hearing so soon after the President submitted his request.

Let me try to respond to your questions after you have had the benefit of introductory comments by Secretary Atwood. Thank you very much.

Chairman BYRD. Thank you, Mr. Darman.

PREPARED STATEMENT OF DICK CHENEY

Mr. Atwood, Secretary Cheney submitted a prepared statement. Do you wish that it be placed in the record or would you like to withhold that until he arrives?

Mr. ATWOOD. No; I would like that to be made part of the record if that is all right with you sir.

Chairman BYRD. Without objection it so will be.

[The statement follows:]

STATEMENT OF DICK CHENEY, SECRETARY OF DEFENSE, DEPARTMENT OF DEFENSE

Mr. Chairman, members of the Committee, thank you for this opportunity to discuss the Administration's fiscal year 1991 Desert Shield/Storm supplemental appropriations request.

Last fall's budget summit agreement specified that incremental costs associated with the Persian Gulf crisis would be treated as emergency funding requirements, not subject to the defense caps in the agreement. Consequently, the President's recently submitted the fiscal year 1992-93 defense budget request and its projected long-term outlays do not reflect those costs. Fiscal year 1990 incremental costs of Desert Shield and increased fuel prices were covered by shifts in previously appropriated DOD funds ($800 million) and by a supplemental appropriation ($2.1 billion). We now have presented to Congress a request to cover fiscal year 1991 incremental costs of Operation Desert Shield and Desert Storm, at least in part.

Because it is impossible to predict accurately future operational requirements in so uncertain a situation, this supplemental does not purport to estimate definitively or necessarily fund completely what might be the eventual total cost of the war and the subsequent redeployment of U.S. forces. Rather, the primary intent is to obtain approval for a funding plan to cover our immediate and known operational requirements, to include establishing a mechanism for spending foreign contributions most effectively, in order to offset U.S. costs as much as possible. It is too early to tell whether this supplemental will cover all our fiscal year 1991 incremental costs. But it will allow us to retire many of our known expenses and to manage our funding requirements without having to come back to Congress right away or frequently, or before we have a better estimate of the eventual total cost of Desert Shield/Storm.

MAJOR PROVISIONS OF THE FISCAL YEAR 1991 SUPPLEMENTAL

The fiscal year 1991 Desert Shield/Storm supplemental proposes the establishment of a Working Capital Account, and requests $15 billion in new budget authority to be appropriated into the Account. This is needed to provide the Department of Defense (DOD) with the necessary flexibility to meet immediate operational requirements until sufficient allied contributions are received, and to accelerate production of essential items.

This $15 billion in new budget authority, plus the $53.5 billion pledged by our allies, could prove sufficient to cover all our Desert Shield/Storm incremental costs. But it will be a while before we know that. More new budget authority might be needed. On the other hand, we may not need the full $15 billion; and our supplemental proposal would give DOD the authority and flexibility to use offsets and allied contributions to achieve that if at all possible.

The supplemental also requests the appropriation of allied contributions deposited into the Defense Cooperation Account and authority for the subsequent transfer of these funds, as needed, to specific DOD appropriation accounts, in order to cover Desert Shield/Storm costs. This would parallel the flow from the Working Capital Account into DOD appropriation accounts.

To redirect already appropriated moneys within DOD, the supplemental requests the transfer—from Guard and Reserve Military Personnel and Operation and Maintenance (O&M) accounts—of funds no longer needed for their original purposes to the active Military Personnel and O&M accounts. This action reflects savings in the Reserve account from the callup of large numbers of Guard and Reserve personnel to active duty.

Once appropriated, funds in the Working Capital Account and Defense Cooperation Account would be used in a specified priority.

First priority would be to finance our fiscal year 1991 Desert Shield baseline costs, through March 1991. The term "baseline" refers to the cost to maintain and support our forces without hostilities. Hostilities add a highly unpredictable daily cost to a fairly steady baseline Desert Shield cost.

Our baseline Desert Shield costs are estimated to be $9.1 billion for October through December 1990 and $12.3 billion for January through March 1991. DOD has been financing these costs out of our regular appropriations, principally from the Military Personnel and Operation and Maintenance accounts. Since the military services will soon run out of authority to obligate additional funds for Desert Shield, I now have authorized the obligation of funds in excess of available appropriations, in accordance with section 3732 of the Revised Statutes, pending passage of a supplemental. Covering these ongoing costs will be our first priority.

Our second priority for newly appropriated funds will be for the production of missiles, ammunition and selected other items that are needed by our Desert Shield forces or will have to be replaced as a result of it. Much of this money is critical to ensuring that our industrial base remains capable of producing the items we will need.

Third priority will be $7 billion to cover estimated costs during an orderly phasedown, after hostilities end. This includes the cost of personnel, fuel, in-theater support, and appropriate operations tempo (OPTEMPO).

Fourth priority is the $5.2 billion we estimate it will take to return personnel and their equipment to Europe or the United States. This includes transportation, replenishment of prepositioned and war reserve stocks, return of reserve ships to nondeployed status, and payments for accrued leave of reservists.

FISCAL YEAR 1991 DESERT SHIELD COST ESTIMATES

This supplemental makes no assumption about when the war will end, and does not attempt to estimate its total cost. However, the Administration's submission does discuss what a day of combat might cost, over and above the baseline cost of sustaining U.S. forces in the theater, absent hostilities. Costs for a day of combat would stem from increased OPTEMPO, maintenance, prisoner support, medical transportation, ammunition, missiles, and lost or destroyed equipment.

All Desert Shield-related cost estimates consider only incremental costs. By "incremental" we mean costs that are directly related to the Gulf crisis and are in addition to funds already budgeted for the forces involved. For example, incremental Desert Shield costs for an Army division are those that are over and above the budgeted amounts it would have spent if it had not deployed. The bulk of those incremental costs are due to the increased operating tempo and other preparations for possible combat under harsh environmental conditions.

Incremental costs are distinguished from total budgetary costs in that they are derived by subtracting previously budgeted funding. Incremental costs do not include previously budgeted funds for pay, training, maintenance, and new equipment for active forces deployed to the Gulf area.

Estimating incremental Desert Shield costs has been complex and difficult. At the source of the process, USCENTCOM and other participating commands put together estimates of their total Gulf-related costs. The military services and defense agencies then validated these estimates and subtracted—when applicable—any fiscal year 1991 appropriated amounts that will be foregone, to derive incremental costs. Finally, the DOD Comptroller staff scrutinized these estimates to ensure that they were properly priced, legitimately attributable to the crisis, and consistent in their derivation across all military services and defense agencies.

In sum, DOD's estimating procedures have been rigorous and, I believe, have produced sound cost estimates.

Baseline Desert Shield costs

Our baseline Desert Shield costs cover the deployment and support of U.S. personnel in and around the Arabian Peninsula, absent hostilities. Costs include the reserve callup, imminent danger pay, transportation, fuel, in-country support, increased OPTEMPO, and special equipment. While the estimates discussed above cover only the first half of fiscal year 1991, we have generated cost estimates for the whole year. Our full fiscal year 1991 Desert Shield estimates are based on past and projected troop levels, support requirements, and other factors. To maintain our baseline Desert Shield force, fiscal year 1991 incremental costs would total $39.2 billion. This estimate for the full fiscal year was formulated because this is the frame of reference in which we normally deal. It does not imply that we expect our operations to continue for the entire year.

Military Personnel.—The Military Personnel categories of our fiscal year 1991 Desert Shield baseline costs total $10.7 billion. During the Gulf crisis, over 200,000 ready Reservists have been called to active duty. Current plans project the total reserve callup to reach 346,000 before the end of April. These reservists primarily are needed for critical combat service support. We need pilots, navigators, loadmasters, munitions handlers, aircraft maintenance, medical services and other specialities. The incremental fiscal year 1991 cost of these activated reservists is estimated to be $8.4 billion.

By the beginning of fiscal year 1991, 250,000 personnel were eligible for imminent danger pay at $110 per month. With the continued buildup, the number has increased to well over 500,000—for an annual cost of about $700 million. Additionally, over 100,000 personnel above budgeted levels will be on active duty during fiscal year 1991, at an annual cost of $1.7 billion.

We have relied heavily on Guard and Reserve volunteers for Desert Shield. In the early months, about 7,000 volunteers provided support for airlift, air refueling, and other missions. This is expected to increase to 10,000, for an annual cost of about $600 million. For fiscal year 1991, about $600 million would be saved in Reserve and Guard accounts, by virtue of the callup; activated reservists do not perform annual training and are paid as active duty personnel.

Operation and Maintenance.—O&M costs constitute nearly 60 percent of the annualized Desert Shield baseline cost of $39 billion. The OPTEMPO component reflects major increases above budgeted levels: 1,200 (vice 800) miles per year per Army combat vehicle; and 90 (vice 50.5) steaming days per quarter for deployed Navy ships. Our estimates reflect over 260,000 additional Navy flying hours and 110,000 added Air Force hours.

In-country support includes leasing of heavy equipment, buses, and other transportation; also potable water, refrigeration, laundry services, utilities, refuse collection, increased security, communications, messing and other logistics. Incremental subsistence costs include Meal Ready to Eat rations, plus enhancements such as bread, milk, and fresh fruit.

The harsh environment and intensive use of equipment requires a substantial increase in maintenance of weapons and equipment. Medical costs reflect an increase of over 350,000 eligible CHAMPUS beneficiaries, as well as preparations to receive and treat casualties. Other support includes communications, map production, welfare and recreational programs, additional training, and TDY support.

Investment

It is impossible right now to estimate how much equipment, ammunition and other items we will need to buy as a result of the Gulf operation. However, we now must appropriate funds to do some of that buying, even though our losses or consumption rates are not yet known. To do that, the supplemental distinguishes between two categories of required investments. In the first are items that are of immediate benefit to the forces in theater and that can be delivered by September 30, 1991. This includes combat support materiel that the theater commander believes is needed to maximize the capabilities of his forces. We estimate the fiscal year 1991 cost of these items will total $862 million.

The other category of investment are production surge items. These are munition items that are being consumed in Gulf operations. The primary purpose of funding these now is to guarantee the ability of our industrial base to sustain the supply of these items. Some items we may need quickly, depending on how the conflict proceeds. Others will be needed to replenish stocks after the war. Delivery of production surge items will occur during the fiscal year 1991 funded delivery period. Examples of production surge items:

For the Army: Patriot, Hellfire, and TOW missiles; ATACMS missile system, MLRS rockets, and certain ammunition.

For the Navy and Marine Corps: HARM and Tomahawk missiles, and various rockets, bombs, and ammunition.

For the Air Force: Maverick missiles, and various bombs, flares, and munitions.

Production lines for many of the above items have already been surged; the supplemental is necessary to bridge a production gap that would result from accelerating previously contracted deliveries. For other items, funding is needed now to ensure that production lines "stay warm"—even though we cannot yet determine how much restocking will be necessary.

ALLIED CONTRIBUTIONS FOR OPERATION DESERT SHIELD/STORM

Operation Desert Shield/Storm is part of an effort that is truly multinational in scope and character. In that spirit, U.S. requirements incident to deploying and sustaining the largest force in the Gulf area will be substantially offset by contributions from our allies.

Some of this allied cost sharing comes in the form of direct financial assistance. Cash received is deposited in the Defense Cooperation Account, established by Congress as part of the fiscal year 1990 Desert Shield Supplemental Appropriation. Deposits to the Account are invested in 90-day Treasury securities. Account funds do not become available for obligation by DOD until after they are appropriated by Congress, as is being requested in this supplemental. The Department has used a mutually agreed reporting mechanism to keep Congress fully informed on the status of allied contributions and other transfers to the Defense Cooperation Account.

The other form of allied cost sharing is in-kind contributions—goods and services provided to U.S. forces directly. Most prominently, this includes Saudi Arabia's commitment to provide all host nation support for U.S. forces, both on its soil and in the surrounding waters. This host nation support includes food, fuel, water, facilities, and local transportation. In-kind contributions from other nations include materials, supplies, airlift, and sealift.

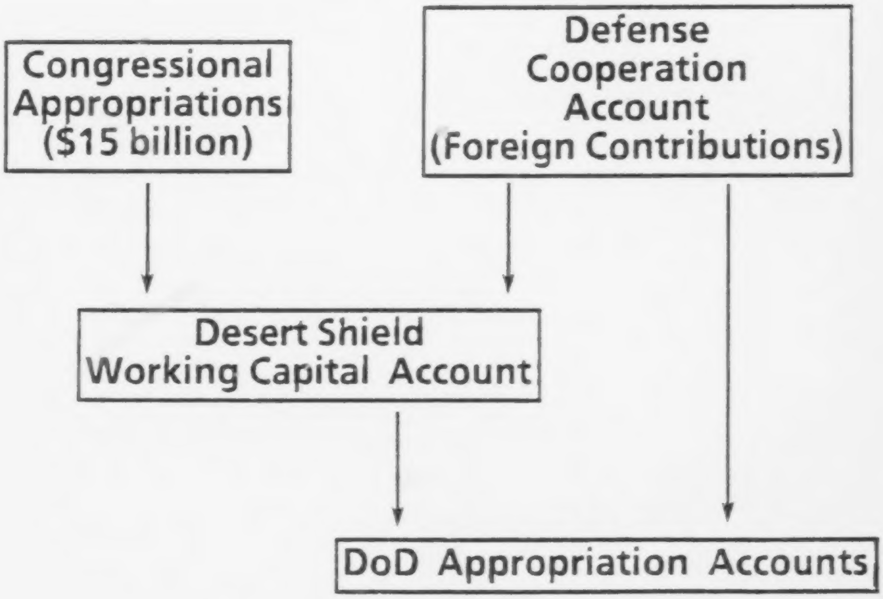
Commitments to us from our allies now total $53.5 billion. According to our latest recapitulation, we have received $14.9 billion in allied contributions so far. However, there is a considerable delay between the time in-kind assistance is rendered and the time we can officially account for it. Once all the calendar year (CY) 1990 commitments of our allies are fulfilled, they will have contributed $9.74 billion in cash, goods, and services toward U.S. CY 1990 requirements, estimated to be $11.1 billion. That comes to over 85 percent.

Also reflecting the international responsibility sharing of the Gulf action, nearly 50 nations have made a contribution to the military effort. Of these, about 35 countries have personnel in the area of operations. Our allies have committed nearly 300,000 troops and over 60 warships, 750 combat aircraft, and 1,200 tanks to the multinational coalition facing Iraq.

CLOSING

The cooperation and commitment of the many nations aligned against Iraq's aggression have been extraordinary. Now as we near the achievement of our collective goal, it is time to sort out the costs and arrange for payment of them. As we do that, we as a nation can be encouraged by the contributions—in all their many forms—of the other nations that have shared our resolve to right this wrong. And all people yearning for a more peaceful and just world order should be exceedingly proud of the military men and women who have performed so superbly and sacrificed so much on behalf of that noble end.

FY 1991 Desert Shield/ Desert Storm Supplemental Funding


Congressional Appropriations ($15 billion)
Defense Cooperation Account (Foreign Contributions)
Desert Shield Working Capital Account
DoD Appropriation Accounts

FISCAL YEAR 1991 DESERT SHIELD INCREMENTAL COST ESTIMATE—SUMMARY

[In billions of dollars]

	Oct.-Dec. 1990	Jan.-Mar. 1991	Fiscal year 1991
Military personnel	1.1	2.7	10.7
Operation and maintenance	6.8	8.0	23.1
Military construction	0.1	0.1	0.6
Investment	0.4	0.5	1.3
Revolving funds		0.3	0.8
Fuel price increase	0.7	0.7	2.8
Total	9.1	12.3	39.2

DESERT SHIELD CALENDAR YEAR 1990 MAJOR FOREIGN CONTRIBUTIONS TO THE UNITED STATES [1]

[In millions of U.S. dollars]

Contributor	Commitments	Receipts		
		Cash	In-kind	Total
Saudi Arabia	3,339	807	854	1,661
Kuwait	2,506	2,500	6	2,506
UAE	1,000	870	111	981
Japan [2]	1,740	866	457	1,323
Germany	1,072	272	531	803
Korea [3]	80	50	21	71

DESERT SHIELD CALENDAR YEAR 1990 MAJOR FOREIGN CONTRIBUTIONS TO THE UNITED STATES [1]—Continued

[In millions of U.S. dollars]

Contributor	Commitments	Receipts		
		Cash	In-kind	Total
Others	3		3	3
Total	9,740	5,365	1,983	7,348

[1] Data as of February 22, 1991; in-kind receipts are as of January 31, 1991.
[2] Japan pledged $260 million to other coalition forces, for a total commitment of $2 billion.
[3] Korea pledged $15 million to other coalition forces, for a total commitment of $95 million.

DESERT SHIELD CALENDAR YEAR 1991 MAJOR FOREIGN CONTRIBUTIONS TO THE UNITED STATES [1]

[In millions of U.S. dollars]

Contributor	Commitments	Receipts		
		Cash	In-kind	Total
Saudi Arabia	13,500	3,650	712	4,362
Kuwait	13,500	1,000	4	1,004
UAE	[2] 2,000		29	29
Japan	[3] 9,000			
Germany	5,500	2,160		2,160
Korea	305			
Others				
Total	43,805	6,810	745	7,555

[1] Data as of February 22, 1991; in-kind receipts are as of January 31, 1991; commitments are through March 31.
[2] An additional amount above the $2 billion is under discussion.
[3] Under consideration by Diet.

How fiscal year 1991 Desert Shield funds will be spent

[In billions of dollars]

Desert Shield:	
October-December 1990	9.1
January-March 1991	12.3
Post combat phasedown costs	7.0
Return of personnel and equipment	5.2
Production surge/accelerated acquisition	
Replace selective assets	

STATEMENT OF DONALD J. ATWOOD

Mr. ATWOOD. Mr. Chairman, members of the committee, I am pleased to be here this morning. As the chairman mentioned, Secretary Cheney sends his apologies, but with the events of last evening and this morning, he is working with the President to assess the apparent I[illegible]qi troop movements to the north and west. We are greatly heartened by the success of our Armed Forces, as I am sure all of you are.

However, as President Bush said just a few moments ago, the war continues until and unless Saddam Hussein agrees to the U.N. resolutions. We continue to prosecute the war because our first concern has to be the safety and security of United States and coalition forces.

Now, with regard to the supplemental, obviously, we feel very strongly that this is a time for the supplemental; it demonstrates our commitment to support the Armed Forces, and it provides visible evidence to our allies who have agreed to participate that we, the United States, are indeed behind this.

I will mention just briefly the priorities that we have: No. 1, we wish the supplemental, as Mr. Darman described it, to support the costs of maintaining and supporting our Armed Forces over there.

Second, to support the costs of production of munitions and equipment which are needed by those Armed Forces or needed to replace inventories which have become depleted;

Third, to support the costs of the phasedown once the actual combat ceases, to phase down our forces over there, and then finally are the costs of returning the personnel and the equipment, some to Germany, some to the United States.

I believe that the cooperation and commitment of the many nations aligned against Iraq's aggression have been truly extraordinary. As we near the achievement of our collective goal, it is time to sort out the costs and to arrange for payment of them.

As we do that, we as a Nation can be encouraged by the contributions in all their many forms of the other nations that have shared our resolve to right this wrong. People yearning for a more peaceful and a just world should be exceedingly proud of the military men and women who have performed so superbly and who have sacrificed so much on behalf of that noble end.

Mr. Chairman, with Mr. Darman, I would be pleased to entertain any questions.

Chairman **Byrd**. Thank you, Mr. Secretary. Also appearing at the witness table is the Comptroller of the Department of Defense, Sean O'Keefe.

I would like to ask, Mr. Darman, when do you think that this bill should be passed, and if it is not passed by that date, what problems would you be confronted with? What is your outside date?

Mr. **Darman**. Thank you, Mr. Chairman. We would like this bill passed at the very earliest possible moment. As you know, the Secretary of Defense has requested that apportionment authority be waived, and the President has granted that request, so Defense is already spending. In many cases, money that was held for the third and fourth quarter of the year is being spent now.

In addition, because that is not sufficient to deal with the drains in certain accounts, the Secretary of Defense has used his authority to invoke what is known as the Food and Forage Act, which, I believe, in Defense's opinion, is a very clumsy way, but the only available way, to handle the need for funding in the current circumstance.

Without that, the operation and maintenance accounts for the Marine Corps, in particular, would run out in the month of March. With it, we estimate those accounts would run out by May. So I could give you two possible answers: Certainly not later than May, but there is a substantial disadvantage in waiting until then, in my opinion, in that we are operating now under this statute that derives from the War Between the States, the 1860's, the Food and Forage Act, which is a very clumsy way to budget and control costs, in my opinion.

Chairman **Byrd**. Did you have a second proposal as to date?

Mr. **Darman**. No; my first proposal would be as soon as possible, and the second was to answer your question about the outside point. If you were to delay until the last possible minute, when you were basically completely out of funding of any kind for operation and maintenance in the Marine Corps, that would be in May. We knew that, I may say, without food and forage, we would be in trouble even sooner than May for other operation and maintenance accounts.

Chairman **Byrd**. Will you face a cash flow problem before April 1 or before April 15?

Mr. **Darman**. Not if we continue to use the food and forage authority, but we would be cutting it close for May and April 15.

Chairman **Byrd**. In reviewing the bill language included in your request, I can find no reference to a March 31 cutoff date. In other words, the language appears to give the President the authority to obligate funds for any purpose for the balance of fiscal year 1991, which ends on September 30.

Is that a correct interpretation of the language?

Mr. **Darman**. Yes, it is, Mr. Chairman, but I can square that with the request being for the period through March 31 with this simple additional comment, I believe. We have included, as part of the incremental costs for the action through March 31 or through today, the costs of an orderly phasedown and then return of the troops, and it is those additional expenditures over time which would take place after March 31 and for which authority would be needed after March 31.

Chairman **Byrd**. If Congress does not put a cutoff date on the costs that may be covered in the supplemental, would it be possible to continue incurring expenses and using appropriations from the two funds beyond March 31?

Mr. **Darman**. I think if there is a problem here, Mr. Chairman, this could be handled as a matter of drafting. It would be possible to accomplish all the transfers that we have in mind or contemplate prior to March 31.

Chairman **Byrd**. But in view of the fact that there is no cutoff date in the language, should there not, then, be a cutoff date written into that language of March 31?

Mr. **Darman**. As I suggest, Mr. Chairman, provided we were to handle it in a way that allowed for the subsequent commitment out of the accounts to which moneys were transferred after March 31, I would think that that is just a matter of drafting, which we could work out.

Chairman **Byrd**. If the President decides to keep troops beyond March 31 in the gulf theater, would it be your intention to come back to the Congress for another supplemental? And if so, at about what date would you anticipate such a presentation and request?

Mr. **Darman**. Well, if hostilities were to continue beyond March 31, there would, in all probability, be a need to come back to the Congress for that purpose. But at the moment, of course, we hope hostilities will not continue beyond March 31.

If hostilities do not continue beyond March 31, then the only troops currently planned and assumed in this request to continue to be in the area would be the troops that are there on the orderly phasedown which, as suggested in the estimates we have provided, we contemplate would take place over a period of about 3 months and then the full return.

Mr. **Atwood**. That is correct.

Chairman **Byrd**. Do you have any additional comment, Mr. Atwood?

Mr. **Atwood**. I might just add to it that I support what Mr. Darman is saying. The request which we are making now covers that phasedown and covers the return of the troops and their equipment to the continental United States or to Germany, if that is the decision.

And therefore, no further supplemental will be required. The question of whether or not a further supplemental will be required if there is continued activity/action/conflict after March 31 depends on the magnitude of it.

I would add one other item, if I might. I believe one of the compelling things to us in seeking a supplemental and action on the supplemental is to provide visible support to those nations, such as the Japanese, who have some action before the Diet, that we, indeed, have taken our own actions immediately.

Chairman **Byrd**. In the language which has been requested to establish a Desert Shield "Working capital" account with an appropriation of $15 billion, I see no mention that these U.S. funds should be used only after all allied contributions have been exhausted.

I was under the impression, perhaps rightly or wrongly, that U.S. funds would be used only as a last resort. What is the intention in this regard?

Mr. **Darman**. Thank you, Mr. Chairman. The reason that it is entitled a "Working capital" account is that that is essentially what it is.

It is what in some other circumstances is sometimes thought of as a bridge loan. We have accounts that need to be funded and may well need to be funded and, I believe, do need to be funded sooner than the flow of foreign contributions would fully provide.

So while awaiting the foreign contributions, we are spending out of the "Working capital" account, but then the language says as the foreign contributions come in, the "Working capital" account is replenished.

One additional point: A second reason for having the "Working capital" account is related to what I understand to be your interest or what I understand by your question to be your interest, and that is this: If foreign contributions were to be fully honored and if the total costs were $53.5 billion or less, then there would be $15 billion still in the "Working capital" account, because it would have been replenished, at which point we would say it would revert to the Treasury.

In that sense, foreign contributions are ahead of the United States in line, but in cash flow terms, we need the U.S. money available while awaiting the foreign contributions to actually come in.

Chairman **Byrd**. Do you have anything to add, Mr. Atwood?

Mr. **Atwood**. No; I would not disagree with that at all. The purpose, obviously, would be to use the working fund when the foreign contributions are not available, such as immediately.

Chairman **Byrd**. My time is up. Senator Hatfield?

Senator **Hatfield**. Thank you, Mr. Chairman.

Mr. Darman, let me just do a simple walk-through of this process, to see if I have it correct. When we approved of the "Defense cooperation" account to which the allies would be making their contributions, and now more specifically, when you are proposing a "Working capital" account as a second step and as I understand that "Working capital" account will disburse moneys for personnel, O&M, and so forth, why not appropriate to those accounts? Because otherwise, as I understand the process that you are proposing, we make that "Working capital" account and then you, in turn, without further authority from the Congress, will take from that "Working capital" account and then apply to these various and sundry accounts that normally are handled through the appropriations process.

Mr. **Darman**. Well, as a theoretical matter, there is a large number of ways you could structure this, and I think ours makes sense as a matter of neatness of presentation and accounting.

It is technically just what it says, a working capital fund that would operate in the way that I suggested. If there is a problem in the minds of the Senators in the committee with respect to appropriate oversight of the transfers from the "Working capital" account to the particular appropriations accounts, I am sure that that, too, could be worked out in some manner that is consistent with the conventional transfer authority, if that were the will of the committee.

I saw a newspaper account this morning which is totally fictitious as to the suggestion of our interest. We have no interest in establishing a "Working capital" account as a means to attempt to escape appropriate congressional oversight and control.

So again, if there has been a lack of appropriate clarity in either our drafting or presentation, I am sure that can be worked out, but the purpose is very straightforward. It is a conventional "Working capital" account. If there is anything left in it at the end, it would revert to the Treasury, which wouldn't be true if you did it the other way.

Senator **Hatfield**. Mr. Darman, even though I may disagree with the policy that we are talking about funding here, I still feel that there ought to be every care given to the constitutional role played by the Congress and played by the Appropriations Committee in the disbursement of those moneys under a blanket authority into those specific accounts.

As I understand, some of the upgrades that are requested in your proposal here that request equipment, will not be completed until September; is that correct? Mr. Atwood?

Mr. **Atwood**. Yes; that is correct.

Senator **Hatfield**. Thank you. Why are these in the Desert Storm supplemental? For instance, the Hawk Modification Program, as I understand it, why are they incorporated in this particular vehicle?

Mr. **Atwood**. The amounts that are put in there for the weapons, for the munitions, for the missiles and for equipment are fundamentally for one of two purposes: One is to make available to the Armed Forces over there, to make sure that as we deplete inventories, there are enough available for them, and second is to replenish those inventories of equipment that is either fired or lost in the process, and of course, at the time we are putting this together, pending the events of the last day or two, we have no indication as to whether this would be lasting or what period of time this would be taking place.

Senator **Hatfield**. Would this replacement activity of stockpiles then be on a one-for-one basis, or will it take into consideration the general reduction that had been planned by the Pentagon, say, in the next 5 years?

Mr. **Atwood**. Let me spend just a moment on that. And let me just take a hypothetical case of the Maverick missiles. We had an inventory, and we had a planned inventory, which decreased over the next period of years, and that decrease came about because of two factors: One is normal attrition, because we would use them in training, and second, because we are drawing down the Armed Forces.

Therefore, when we replace munitions such as the Maverick missile in inventory, it would be replaced to the level at which it had been planned to have at the later time.

Senator **Hatfield**. Then the supplemental that we are talking about here, the mission of missiles, will or will not lead to production of more units than are expended in combat? For example, I think of the request for 500 Patriot missiles and 60,000 MLRS's, in comparison to the projection for this next 5-year period.

Mr. **Atwood**. It could, but that is because of the uncertainty of the duration of the conflict and the uncertainty of the rate at which we are depleting them.

Senator **Hatfield**. But that would be an adjustment made at the given time?

Mr. **Atwood**. That is correct.

Senator **Hatfield**. Where we can get a stable point of reference?

Mr. **Atwood**. That is correct.

Senator **Hatfield**. Let me ask you about the subsistence cost estimates. As I understand, it is $15 per day cost per soldier for the total cost, or is that an incremental cost as against those requirements to feed the military individuals on a regular routine prewar?

Mr. **Atwood**. It is an incremental cost, sir.

Senator **Hatfield**. Strictly incremental.

Mr. **Atwood**. Yes, sir.

Senator **Hatfield**. Then as I understand, there will be a second supplemental request dealing with the related costs of this war. Is that correct, Mr. Darman?

Mr. **Darman**. This supplemental deals only with what we interpret to be qualified under the statutory language that provided for a Desert Shield exemption from the caps. Anything else which is arguably related to Desert Shield, and not qualified for the specific exemption, we would propose to be treated in a separate supplemental, and we have already proposed our own proposals for that supplemental.

Senator **Hatfield**. Mr. Darman, would those items in the second supplemental be funded out of this particular revolving fund?

Mr. **Darman**. No.

Senator **Hatfield**. Then they will be separate accounts handled one by one?

Mr. **Darman**. But those are entirely separate, and they would not be in the Department of Defense. Certainly, there is none in our proposal at the moment that are in the Department of Defense, and they would not come out of the "Working capital" account.

Senator **Hatfield**. And would not come out of the contribution?

Mr. **Darman**. And would not come out of the foreign contributions, either. Senator Hatfield, could I ask the chairman if I could take 1 minute to add one additional word of response to an earlier question without counting against your time?

Senator **Hatfield**. I would even yield you a minute, Mr. Darman.

Mr. **Darman**. Thank you, Senator.

In further response to your question about how we have thought about the legitimate purpose of these funds, at every turn we have tried to apply the standard, incremental. The statute didn't specifically define incremental, and there had to be some common sense application of the concept. With respect to any items that were in inventory, if the inventory was planned to go up and you lost an additional amount due to combat, you would have to make the purchase to get up to the original level, plus the amount that you lost.

If an inventory was planned to go down, however, which is the case in many areas, then if all that happened was that the combat accelerated the decline, as a general rule, we would not be seeking replenishments for those items lost, certainly not one for one, and the same is true, of course, across the board: The standard has been, "Is it legitimately an expense that would not otherwise have been made and was not already budgeted for?"

Senator **Hatfield**. To do all this the added expense will then be presented in the second supplemental?

Mr. **Darman**. No; this is——

Senator **Hatfield**. For all the analysis, you are doing this with an in-house personnel level as now, all these very intricate analyses between incremental and basic and projected levels?

Mr. **Darman**. Right. We have not charged any extra. That would be a trivial portion, but as a general matter, to put it in its most summary form, the idea is to get back to the 5-year plan that was agreed in, if you will pardon the term, the budget summit and the associated law, get back to that plan as quickly as possible on an orderly basis.

Senator **Hatfield**. I appreciate the succinctness of the bottom line. Thank you, Mr. Darman.

Chairman **Byrd**. Senator Inouye?

Senator **Inouye**. Thank you very much. If I may follow Senator Hatfield's questioning, your projected plans called for reducing our tactical air wings by about 30 percent, Army divisions by one-third, and other substantial decreases in the force structure. Considering these plans and noting that the cost estimates in the supplemental have been presented with different wartime scenarios, ranging from $150 million a day to $1.65 billion a day, with this force structure reduction, will there be any need to replace these lost equipments? Because the bulk of the costs are for replacing lost equipment.

Mr. ATWOOD. I will take this. I want to apologize first, because until 20 minutes ago, neither Mr. Darman nor I knew I would be here, so we have not had an opportunity to check exactly the wording of our answers. [Laughter.]

Let me take a cut at what your question is, and that is: Again, we would not be building up items that are lost or destroyed or used to a level that we have today. We would be restoring them to a level that would be in accord with the reduced Armed Forces in the reduced force structure.

Senator INOUYE. Then you won't have any need to add anything?

Mr. ATWOOD. Oh, no. We will add things. Oh, and we will not add above that? Is that what you are saying? That is correct.

Senator INOUYE. How would you replace those items that are now out of production?

Mr. ATWOOD. We have given a lot of discussion and thought to that subject. For instance, there is the F-15C's, which are out of production, and all we make now are the F-15E's still in production.

We had no intention, in doing away with the F-15C's, and as a consequence, we would look for equivalency, because if we lost a significant number of those and we needed those in order to make our Armed Forces, even though they are smaller, we would be looking for some equivalency.

Senator INOUYE. It would appear that the end of the war is soon upon us, and we may have in our possession, in one way or the other, an inventory of awesome proportions. We have been told that in Kuwait alone, you will find the bulk of the Armed Forces of the Iraqis. What I want to know is, what do we plan to do with all this captured equipment.

Mr. ATWOOD. I have no word yet on the condition of the equipment that is being left behind as they retreat.

Most of the information we have is that they are burning or destroying that equipment and, therefore, the utility of it would be highly questionable. I have no further comment on that until I see more definitively what is being overrun and captured.

Senator INOUYE. Are you telling me we have no plans on the disposition of captured equipment?

Mr. ATWOOD. There are plans on what we would do with the equipment, but the plans depend upon the utility of it, if it is just scrap or trash or burned, out-hulked, it is of no value whatsoever. If it has some value in terms of foreign equipment, which we could use for test and evaluation, that is another matter.

Senator INOUYE. In this operation, we have used many Reservists and National Guard troops. From the lessons of the operations, what can we expect as to future plans relating to the Reserve and Guard components of U.S. Armed Forces?

Mr. ATWOOD. Well, No. 1, I want to, at the very outset, say that those Reservists and those National Guard people have performed magnificently. In many specific areas they have been thrown into situations that I feel without their services, without what they have contributed, it would be a much different outcome in terms of the response and the ability that we have projected.

On the other hand, there have been some, particularly in the infantry, that have required considerable training. We want to make sure that as those troops go into combat that they are physically in condition, that they have all of the proper training as individuals and that they have the proper training in total units. This is to protect them as well as to protect the others who would be fighting with them.

So we have devoted a considerable period of time to some of the combat units to just make sure for their sake and for the sake of the other armed forces that they can perform as well as those who are in the regular service.

Senator **Inouye**. Are you telling me that you intend to suggest to us that Reserve forces be reduced and Active Forces be increased?

Mr. **Atwood**. No; we are reducing and proposing a reduction in the Active Forces. As you know, the Army has been proposed for reduction to something like 12 active divisions. We are probably taking out a little over 20 percent over this next 5-year period in our Active Forces.

We will be reducing the Reserve forces by a percentage which is just under that. I think the numbers on the reduction in the Reserve forces are just under 20 percent so that we will be reducing both over the next 5-year period, but we are proposing to reduce the Reserves to a lesser degree. I think I quoted the numbers correctly.

Senator **Inouye**. Before the commencement of the operations Desert Shield and Desert Storm, much criticism was heard about certain weapon systems, such as the Bradley fighting vehicle, the M-1A1 tank and others.

How have they performed?

Mr. **Atwood**. I don't have a detailed report on all of those yet, as the land war has been moving very rapidly and over only a short period of time, but every information that we have on the reliability of the equipment, on the performance of it as they geared for battle and as they have over the first few days, is that those weapons, particularly the ones you mentioned, have performed flawlessly.

There was, as you recall, one incident. It was reported as a transmission problem. Actually, it was a control linkage problem on the Bradley vehicle, but that affected a small number and was repaired in the field. But overall, I would say that the reliability, the performance, the accuracy of them has been excellent.

Senator **Inouye**. Mr. Darman, last Friday I was advised that the State of Israel submitted to the United States Government a request of $1 billion for added incremental military costs resulting from Operation Desert Storm. It doesn't include costs resulting from damages incurred by the Scud attacks.

How will the administration respond to this request?

Mr. **Darman**. Thank you, Senator. You are correct. The administration did receive such a request late on Friday from the Government of Israel, and the State Department has correctly said that they will have that under analysis and give it the most serious consideration.

I can only tell you this at this point, in my view, and I believe this would be the view of most who would look at the issue, that request would not qualify for the Desert Shield defense exemption. That is not a criticism of the substance of the request; that is an interpretation of the law and what the law allows as an exemption for defense appropriations related to Desert Shield, so it would have to be considered as a separate matter from what we are discussing here today, and viewed as either an additional appropriation that would then trigger either a requirement for offsets or a sequester or it would require use of the emergency authority that was contemplated in the statute. In reviewing the request before us, we did not include this among those that merited the emergency determination.

Senator INOUYE. Thank you very much, Mr. Chairman.

Chairman BYRD. Senator Stevens?

Senator STEVENS. Thank you, Mr. Chairman. Let me state at the outset, gentlemen, I think that the President has spent more time with the consultative group that was appointed by the Congress before we recessed and assigned last year than any President in history in a similar conflict, and that you at the Department of Defense, Secretary Atwood, have been really outgoing in keeping us briefed here at our periodic meetings in our special briefing room and in the time that you have all spent with us that have journeyed across the Potomac to come to the Pentagon.

I am really appreciative of all the time that you have spent with us.

Mr. ATWOOD. Thank you.

Senator STEVENS. But I have got to tell you, Mr. Darman, I can't understand the way this request has been submitted. We did have a budget agreement, and it is apparent now that the request for the supplemental will require a basic authorizing statute before we can appropriate these funds. Do you agree with that? Why have you submitted to us a supplemental request that requires a basic change in the law in order to be accomplished when it is time sensitive?

Mr. DARMAN. The only request required is——

Senator STEVENS. Doesn't the working capital fund concept require authorization? It is my understanding the authorization committee has notified you to that effect.

Mr. DARMAN. I have not personally received any such notification. I believe there are only a couple of minor changes required as a matter of authorizing language and that the Department may wish to speak to this. The Department of Defense submitted those February 22; is that right?

Senator STEVENS. It is my understanding the working capital fund would set a new precedent for control of the funds available to the Department of Defense and would eliminate the prioritizing set forth in the bills that authorized the expenditures for this fiscal year.

Mr. DARMAN. That is not what I believe would be its intention or effect, as a practical matter, and I believe, Senator Stevens, before you were here, I think Senator Hatfield asked about——

Senator STEVENS. I have been here all the time, Mr. Darman.

Mr. DARMAN. Oh, I'm sorry. I apologize. Well, then, I guess the answer we gave before must not have satisfied you.

Senator **Stevens**. It doesn't satisfy me because the authorizing committee tells me that they believe they must authorize the creation of this working capital fund, and if that is correct, you are going to hold up this bill, because we have to have two separate acts of Congress rather than just one.

Mr. **Darman**. Well, Senator Stevens, Friday evening, the general counsel forwarded to the Armed Services Committee, to the Congress in general, the request for an authorization bill pertaining to two narrow pieces of their authorization act as it pertained to straight limitations established in the 1991 authorization act as well as waivers of promotion limitations on certain enlisted grades.

Aside from that, the general counsel advises that the requirement for a specific authorization at this stage is a matter before Congress to determine what appropriate jurisdictions that the Congress would sort out.

When the "Defense cooperation" account was enacted in October 1990 as a part of the continuing resolution, there was no concomitant nor concurrent authorization provision provided. There was one subsequently done, but there was not one required at the time of the enactment on October 1 of that particular account.

This would fall into the same category, and I think that has generally been expressed by the general counsel.

Senator **Stevens**. I think the committee knows I have relied on the advice of Mr. O'Keefe for many years, but I have got to state that a supplemental request which would have requested moneys to go into specific accounts would not have required an authorization bill. This, by creating a separate fund which will give the Department of Defense the authority to transfer from that fund into the already created specific accounts, is a basic change to the law.

I think that the Armed Services Committee is justified in reviewing it. I understand they intend to do so.

Mr. **Darman**. Senator Stevens, could I ask you a question as a way of trying to understand this better?

Senator **Stevens**. Sure.

Mr. **Darman**. Suppose there were no "Working capital" account? Suppose there were just authorization to spend out of the "Defense cooperation" account, which, of course, contemplated that we are not going to leave the foreign money in there forever. That would be just transferred to the same accounts that we are talking about transferring to now.

If there were no "Working capital" account at all, that wouldn't be a matter for the authorizing committee.

Senator **Stevens**. My point to you is: Why didn't you just request the money for the specific accounts and go through the normal procedure if it was needed to transfer it from one account to the other?

Mr. **Darman**. The "Working capital" account is a bookkeeping device to be able to simplify and keep track of the U.S. contribution and to allow for the possibility of reverting to the Treasury. It is no more than that.

If that is not a convenient way to do the accounting in the judgment of the committee, we will work with you on whatever you think is a more appropriate way. We certainly did not intend any new precedent, any new special authorizing procedure or anything of the kind.

Senator **Stevens**. Let me just ask you this: What relationship does OMB have to the "Working capital" account? If you had none, then Congress would have none. If you have some, then obviously, we would have some.

Mr. **Darman**. Yes; we have some, and I believe that the Congress would have the ordinary authority to ask for transfers.

Senator **Stevens**. You mean we are going to have to reprogram every amount that comes out of the "Working capital" account and goes into specific accounts?

Mr. **Darman**. Well——

Senator **Stevens**. Rube Goldberg, I thought, passed out of existence. [Laughter.]

Mr. **Darman**. Certainly, in transfer authority procedures, Senator Stevens, there is any number of different understandings that could be reached in terms of how these transfers are affected.

Senator **Stevens**. I don't want to belabor it, but it seems to me that if this is time sensitive that this is not a time-sensitive way to handle this special appropriation, which is exempt from budget procedures.

Mr. **Darman**. Senator, I am sure all of us would be more than happy to look at what you think would be a better way to accomplish the same objective. I think we have a very straightforward set of objectives, and if the accounting approach is not what you think is the appropriate approach, we certainly want it done quickly, and don't mean to slow this down by that approach.

I believe it is very straightforward and quite simple compared to other ones that will have to be invented.

Senator **Stevens**. I am afraid that our friends on the authorizing committee are going to suggest a way to handle these accounts, and that is going to delay this appropriations bill. That is my problem.

Let me go to something else, though, that bothers me even more. In this request, there is a request for procurement of items that have been on the schedule for termination, such as Patriot, MLRS, and Maverick.

Can you tell us, is that an indication that the Department has changed its mind about the ongoing need for procurement of those items, or are we to take this to be just merely a replacement and the termination schedule in the 1992 budget is going to be maintained?

Mr. **Atwood**. In general, it is meant to be a replacement. This is not taking an opportunity to open those lines up or anything of that nature.

Where something has been scheduled for termination, it also was scheduled to have an inventory level which would decline over a period of years, either by attrition or because of the reduction in the Armed Forces. However, because of Desert Storm, we have depleted that inventory to a significant degree—Patriot is a good example—and, therefore, what we are proposing is to cover in here the replenishment of that inventory loss up to the level that it would have been, had we not had Desert Storm, out over the next 5-year period.

We find ourselves in a position, as you know, Senator, where some things that we are using have been out of production, where some things are scheduled to go out of production, and finally, some things that are still in large production, and each case we are having to handle differently. If it is out of production already, as I mentioned, we need to look for some equivalency. If it is still in production, we need to either research it and continue it, or if it is still in large-scale production, just augment that.

Senator STEVENS. Mr. Secretary, I would hope that we would find ourselves in a position of rethinking some of the determinations that were agreed to in the past. Certainly, Patriot and MLRS have demonstrated their effectiveness to the point that I do not think that we can afford to have those lines terminated. Beyond that, it would seem to me that we even ought to take a look at our force structure.

Could you have met the challenges of Desert Storm with the force structure that we have agreed to for 1997?

Mr. ATWOOD. If the world situation is as it is projected to be in 1997, it would entail the capability of handling a Desert Storm.

Senator STEVENS. You believe we could have met Desert Storm with 12 divisions in the timeframe that we faced in this past period?

Mr. ATWOOD. With the reserves that we have, yes, reserves that we have planned.

Senator STEVENS. I hope we will have a hearing on that, Mr. Chairman, because I cannot agree, and I hope that we can find a way to review all of the decisions that were made in the budget process of last year in view of what has happened in Desert Storm.

Mr. ATWOOD. I understand we don't see a Desert Storm necessarily in 1997, but nevertheless, the world situation that we are projecting to be by 1995.

Senator STEVENS. There might be an arctic freeze by that time. That would worry me more.

Chairman BYRD. Senator Hollings.

Senator HOLLINGS. Thank you, Mr. Chairman. Mr. Darman, you suggested that if we had a better way, you would be glad to entertain that suggestion. I am talking about a better way to reduce this financial transaction to a more dignified and realistic approach to the whole thing.

Necessarily, pledges have been made, amounts now are due, more than the $15 billion that we are requesting here this morning. But evidently, you folks haven't run a United Way Campaign or Community Chest. Down home we go out to the navy yard, and we say, "Your fair share is——", and incidentally, they exceed it. We go to the Air Force base and say, "Your fair share is——".

Now they have already agreed to a fair share in Korea and Germany, and otherwise, the principals, Saudi Arabia, Kuwait, and the United Arab Emirates, have agreed to most of it. All they need is a little add-on, and then give them a due date of March 31, and say, "Your fair share is—you have to come up with it." Saudi Arabia and United Arab Emirates and Kuwait will gladly come up with it. They have got the capability, Kuwait alone. They are making financial loans right this minute in my home State, South Carolina. They still are just doing business.

While we have experienced a lot of human tragedy, the United States and Great Britain and France and Saudi Arabia, there has been not a single Kuwaiti killed in action since this war got started on January 16.

And the Kuwaitis have got a $100 billion corporation listed publicly in London that—I am reliably informed—has got a worth of around $235 billion. So if you take what they have agreed to and just add on the additional amounts, say $7 billion in Saudi Arabia, $7 billion to Kuwait, and just $1 billion to the United Arab Emirates, than the total cost to them, by March 31, Saudi Arabia would be $23.8 billion; Kuwait would be $23 billion, and the United Arab Emirates would come up with $4 billion. Plus, of course, Japan, with its pledge of $10.7 billion, Germany with its $6.6 billion and and Korea with its $0.4 billion.

Of course, if they don't pony up, then you can counter by putting in place a gulf tariff bill. We would pass it unanimously, putting a tariff on their imports or whatever is necessary to get the money rather than haggling about it.

We are all going to support the administration with the $15 billion. We are not going to be haggling here this morning while GI's are getting killed out there. When we are spending over $400 billion more than we have got right now, God knows we can borrow another $15 billion. So we are not going to hold up the Desert Storm effort.

But on a business basis, a financial basis, there is a better way than prattling around with how much we hope they might get and what their pledges are. Just tell them what their fair share is, and you don't have to give any more to the Japanese. They have already agreed to it. It hasn't passed the Diet, but if it doesn't get through the Diet, we will get it through the Port of Charleston. When the Japanese ship their products in down there we will put a tariff on them. I am not worried about it. We can pass that like hotcakes.

What about that, Mr. Darman? Let us go to work and really get back to the future as we bring this to a successful conclusion rather than barking this morning about the seriousness of the money for this particular war. It shouldn't cost us anything. We are not trying to make money, but we have got their pledges; it ought to be their fair share; and it is more than reasonable for the Kuwaitis, for example. They have been sheltered, as you know, up in Taif in luxury hotels, and dancing in the discos in Cairo, and I think it will save them some embarrassment to come up with their $23.5 billion, and similarly with the Saudi Arabians. They have been, the Saudis, working and they are grateful.

So I am sure they would be glad to pay it, and the rest of them should. What about that, so we can just get on to something more important?

Mr. Darman. Thank you, Senator Hollings.

Senator Bumpers. What was the question?

Mr. Darman. I would just note that we have already, as Chairman Byrd noted at the outset, $53.5 billion in foreign commitments.

Senator Hollings. That is right.

Mr. **Darman**. We have specifically identified costs of almost $40 billion plus the incremental costs of combat. It is not impossible that the total costs would come in at $53.5 billion, in which case we would already be at 100 percent foreign.

That is, indeed, why we are asking for this working capital approach, because it allows for the possibility of it reverting to the Treasury, but it provides us with cash in the immediate term while waiting for foreign contributions.

Senator **Hollings**. I am sure the committee is ready to vote that. No problem.

Mr. **Darman**. From an OMB perspective, as you can imagine, we would always be happy to have more contributions from other sources, but I would say I think if you go back over the history of this, back when we started and immediately after the August 2 period, we were thinking in terms of 50 percent foreign contributions, and we ended up getting 88 percent through the period of December 31.

If you had ever suggested back sometime in the second, third, fourth week of August we could get $53.5 billion in foreign contributions, I think people would have said, "That would be terrific contributions."

Senator **Hollings**. I still think it would be terrific to have $53 billion. That is why I am saying it is their fair share. Do you think we are going to get it?

Mr. **Darman**. Yes; I do.

Senator **Hollings**. By when?

Mr. **Darman**. I believe that the Germans will pay.

Senator **Hollings**. By when? What is the due date?

Mr. **Darman**. By March 31 in the case of the Germans. They are scheduled to make two payments.

Senator **Hollings**. And the Japanese when?

Mr. **Darman**. The Japanese are the one problem, in my opinion, on this list, because the Diet has not yet approved it, and they have taken the position, as I understand it, that they don't have the authority to spend until next fiscal year, which for them, starts April 1. I believe the State Department has informed them that they should get the authority for expenditure in March, and that is what the Japanese Government is trying to do.

If they get it from the Diet, it is my understanding that they would make a single payment by the end of March, March 31, a single lump sum payment.

Senator **Hollings**. Very good, and if we don't, they can just put their fair share up and move from there rather than waiting around, because we have got more important things in the United States. They had a fire in the Persian Gulf, and we had the only fire bridage, and we responded there last August, but right now, as the war is being brought to a successful conclusion, we shouldn't have any problem.

Incidentally, we have got the Reserves. There are a lot of good subjects that this committee is interested in. We have got the Guard and Reserves out there on the west coast, and they told us, an engineering outfit now, that they won't be allowed to go to the gulf, but they are going to be kept here until November to do repair and maintenance work.

I don't think that is going to fly. I think that if this thing is brought to a conclusion by March 31, these folks now have got families, businesses that need them. Doctors left, you know, two nurses, a receptionist, a bookkeeper, and they are going to lose their medical practice. We have got real problems there that we are going to have to regroup immediately and work closely, and those are real problems.

Thank you, Mr. Chairman.

Chairman **Byrd**. Senator Kasten.

Senator **Kasten**. Mr. Chairman, I believe there are others here that were here before I was.

Chairman **Byrd**. On this committee, we go according to seniority. We have 29 members, and it would be a complex mathematical exercise to try to keep up with who comes and who goes and when he walks out and when he comes back. Everybody knows what his position is on the committee, and everybody knew what time the committee was going to meet. You are called on.

Senator **Hollings**. Here, here, Mr. Chairman.

Senator **Kasten**. Mr. Chairman, I thank you. Mr. Darman, I want to follow up on the question that Senator Inouye raised with regard to the Budget Enforcement Act. The Budget Enforcement Act provides that costs for Operation Desert Shield are to be treated as emergency funding requirements. Emergency Desert Shield costs mean those incremental costs associated with the increase in operations in the Middle East.

Does the Budget Enforcement Act specifically exclude from this definition reimbursements to other governments for defense-related incremental costs associated with the increase in operations in the Middle East?

Mr. **Darman**. I am sorry, Senator. Does it specifically exclude what?

Senator **Kasten**. The question is: Does it exclude from this definition reimbursements to other governments—for example, Turkey and Israel—for defense-related incremental costs associated with the increase in operations in the Middle East?

Mr. **Darman**. There is not language which specifically excludes, but if you look at what is required in order to be included, I believe that you would not find that payments to other governments would qualify.

Senator **Kasten**. Excuse me. Go ahead.

Mr. **Darman**. Excuse me. I am sorry. The tests basically are: It has got to be an incremental cost for Operation Desert Shield and Storm. Operation Desert Shield and Storm is a U.S. operation. It is not a foreign operation, and there are further tests as well, in that it has got to be out of a defense discretionary spending account and so on.

Now, you could devise ways, perhaps, to interpret some of these tests. There are several others that are in the statute, but the most direct and relevant one is it has to be for Operation Desert Shield and Storm, and that is a U.S. operation.

Senator **Kasten**. So it would be your impression or your interpretation, then, that in order to provide assistance for the costs associated with Operation Desert Shield and Desert Storm of, for example, Turkey and Israel, it would have to be the emergency nature of the Budget Enforcement Act as opposed to the military part of the Budget Act that you are referring to. Is that your understanding?

Mr. DARMAN. That is correct, and it is not in our emergency package. But as a matter of our interpretation of the statute, if it were to qualify, it would have to qualify either for an exemption as an emergency, which is a different matter than this, or it could be a matter of conventional supplementary appropriation subject to offsets; then, if not offset, triggering sequesters.

Senator KASTEN. I know that you have both seen the letter dated February 21 to the President signed by 22 members of this Appropriations Committee on both sides suggesting the importance of working to somehow provide, as part of the Desert Storm supplemental, funds that would meet the civil defense and defense-related needs of both Turkey and Israel.

I just hope that somehow, as we work our way through this process, we are going to be able to identify defense-related and civil defense-related costs for both countries. But if not to consider them as part of this package, to have a process whereby we can consider them as part of another package, possibly another emergency package, if not part of this package, so that we don't find ourselves in the fall having to work within the 050 or the 150 account and try to cover these costs which are costs which are related to Desert Shield and Desert Storm and end up reducing, for example, other defense-related programs or other foreign aid-related programs.

I think it is important that we face this now rather than see the defense or the foreign operations budget reduced then.

Let me shift for just a moment, and I want to thank both of you, but particularly Secretary Atwood for your help in getting imminent danger pay for the men and women in Egypt and Turkey. I have gotten many calls and letters asking me to thank you for your help, and it is not just one guard group in Egypt; it is a whole group of people who felt very much that they were part of the overall Desert Storm operation but were not in the individual area of responsibility. The reason that they weren't in the official area of responsibility is that we had run out of air fields in the area of responsibility, and I just appreciate your effort.

I can't emphasize enough what the fact that they have imminent danger pay has done to their morale. I am now getting mixed signals, Mr. Secretary, on whether these same people will receive tax privileges in this zone, Egypt and Turkey, that the people in the combat zone now receive.

Has this been determined and decided?

Mr. ATWOOD. May I just ask Mr. O'Keefe something? Could I get back to you on that? I would like to ask general counsel on it. It has been a matter of discussion, and frankly, as of this instant, I would have predicted that it had, but Mr. O'Keefe tells me we really should be sure before we give you an answer.

Senator KASTEN. What I am actually searching for is, in fact, a confirmation. Air Force Central Command has, in fact, sent out messages saying that these privileges are applicable to men and women in Turkey and in Egypt.

Mr. ATWOOD. I see.

Senator **Kasten**. But it is not clear to me now exactly how this is going to work, and I look forward to you getting back to us with specific information with regard to the tax status. As we get closer and closer to the 15th of April, there are a bunch of people out there that are interested and concerned, obviously.

Mr. **Atwood**. In general, there is tax forgiveness for the enlisted troops, and there is a tax exemption for the officers, but the question that you asked originally is the one I need to get back to you on and that is: Does it extend to all of the areas when imminent danger pay is paid?

Senator **Kasten**. Mr. Chairman, thank you.

Chairman **Byrd**. Mr. Atwood, you indicated to Senator Kasten you would get back to him. Would you supply your answer for the record?

Mr. **Atwood**. Yes, sir.

Chairman **Byrd**. Next on the seniority list, Mr. Burdick.

Senator **Burdick**. Thank you, Mr. Chairman. As I understand it, under this package, the United States will give $15 billion; the allies will give $53.5 billion. Am I to understand that the allies have paid some, but there is still a balance due of $38.6 billion. Is this correct?

Mr. **Atwood**. I am sorry, sir. Was this to Mr. Darman or to me?

Senator **Burdick**. Pardon?

Mr. **Atwood**. Could you to repeat that?

Senator **Burdick**. All right. I understand that the United States is required to pay $15 billion at this time and the allies $53.5 billion. The difference between $53.5 the allies have commited and the $14.9 billion they have paid so far, is the $38.6 billion additional that the allies have yet to pay?

Mr. **Darman**. Let me try to state it as I would understand it, Senator Burdick.

Senator **Burdick**. All right.

Mr. **Darman**. Allied commitments to date total $53.5 billion. The total we have received from them to date is $14.9 billion. That leaves the $38.6 billion figure you have referred to as the remaining amount that is due, we believe, to honor the commitments from abroad.

We are asking in addition for this $15 billion, but, as I have noted several times, that $15 billion may or may not be the exact size of the U.S. contribution. If the foreign contributions turn out to be sufficient to cover the costs, then the $15 billion or whatever is left of it would revert to the Treasury.

As we have also said, if it turned out we needed more than that, we would, of course, be reserving the right to come back to the Congress for more. So the foreign commitments are clear, the remaining amount due from foreign governments is clear. The fact that we are requesting $15 billion from the United States for working capital purposes is clear. What is not clear at this point and can't be, because of the state of the war, is the exact cost of the war.

Senator **Burdick**. And you are not concerned about the allies paying the $38.6 billion balance?

Mr. **Darman**. Yes; we are concerned, but we believe that they will honor the commitments. There is one important footnote here with respect to Japan in that they have not officially confirmed through their Diet the commitment that they announced publicly, but once that is official with Japan and with all other countries, these are commitments of sovereign governments at the highest levels. We expect them to honor them, and to date, they have been honoring them.

Senator **Burdick**. How much in-kind will you accept in the remaining payments?

Mr. **Darman**. We are largely out of the in-kind business, so to speak, with the exception of certain things provided directly in theater.

In the first phase of this contributions effort, the people soliciting the contributions indicated a willingness to accept both cash and in-kind from countries outside of the theater as well, for example, Japan and Germany, and there were some in-kind payments as part of those commitments.

For a variety of reasons, we felt it would be better to put this on a cash basis from January 1 onward outside of the region, and so Japan and Germany are on a cash basis from now on except for the in-kind commitments that were made before December 31.

The answer to your question—I am sorry. I was too long. The short answer to your question is: The total amount we have received in-kind, so far, is $2.7 billion. It is not possible to determine exactly the remainder in in-kind. Let me see if I can get that for you.

Mr. **Atwood**. While he is looking for it, I might add just a footnote to that, and that is, there is some small amount of continuing in-kind host nation support activity within Saudi Arabia, within the United Arab Emirates.

Beyond that, the kind of equipment—we were taking in-kind equipment from Germany—had to do with some vehicles they had which we needed, and similarly, in Japan.

Mr. **Darman**. Senator, I believe it would be less than $1 billion in additional in-kind payments that we would expect. Out of that roughly $38 billion, it is almost all cash.

Senator **Burdick**. All cash?

Mr. **Darman**. I am corrected by my colleagues from Defense. It could be as much as a couple of billion dollars in fuel provided in theater, which would count against the $38 billion, but which would not have been what I was referring to, would not be cash, and would not be what I was referring to.

If you look at the outstanding in-kind payments still not made, it is still going to be a very small percentage of the $38 billion.

Senator **Burdick**. And you expect that balance to be paid?

Mr. **Darman**. Yes; is the short answer.

Senator **Burdick**. Thank you.

Chairman **Byrd**. Senator Specter?

Senator **Specter**. Thank you, Mr. Chairman. Mr. Atwood or Mr. Darman, I am concerned about the fact that there are very large commitments outstanding from principal countries like Saudi Arabia and Kuwait, and relatively little has been paid.

For example, Kuwait has a commitment of $13.5 billion and receipts to date are only $3.5 billion. I am concerned that we may well face a situation where Kuwait has been restored, the emergency is over and, as is the case with many debtors, there is not much interest in paying after the fact.

Kuwait is reported to have enormous cash sums on hand. Given our own financial problems and the cost of carrying our debt, why is it that we cannot collect the full commitment of $13.5 billion from Kuwait in cash?

Mr. **Atwood**. Could I make an attempt to answer that?

Senator **Specter**. Please do.

Mr. **Atwood**. Because I was with Secretary Baker on the original trip when we approached the Emir of Kuwait, and we discussed with them what the contribution toward the defense will be through calendar year 1990, and a figure of $2.5 billion was arrived at. They asked how would be the best way of paying for that; could they do it in terms of three or four monthly checks through the end of the year? They committed to $2.5 billion and promptly proceeded to pay that $2.5 billion in equal installments during 1990.

Since then, in 1991, they have been approached and committed to $13.5 billion for this initial period of this year. They have already paid $1 billion of that $13.5 billion, but that commitment is not that old. This wasn't made January 1; this was made considerably later, so I think that the Kuwaitis have stepped up to it and are paying as you would like to see them pay.

Senator **Specter**. I hear you come before this committee, asking for $15 billion, but I would suggest to you that you take a little closer look at what the Kuwaitis and the Saudis are paying in hand. They are principal beneficiaries of what the United States is doing, and it would be this Senator's preference that you get the money from them before you come to the Congress and ask us to put up the money.

With respect to the United Arab Emirates, I couldn't agree more with what Senator Byrd has had to say about the failure of the United Arab Emirates to step up. Now, this is a difficult matter, because we have not extracted commitments from them in advance, but if it was not Saudi Arabia on the front line, it would be the United Arab Emirates on the front line. I don't know precisely how we accomplish this objective, but I would like to see our Government lay it on the line with the United Arab Emirates. They ought to be paying a lot more than they are. Senator Byrd said they could dispatch a check for $10 billion and hardly notice it, and I think that is correct.

I think that there are others in the gulf states, Oman and Bahrain in particular, all of whom are enormous beneficiaries of our benevolence here, and I would like to see them step up and help pay. I think we really ought to be asking those questions in a tough way before the executive branch comes to the Congress.

There is another issue which concerns me, and that is the question about costs to other countries. Egypt has sustained enormous costs, for example, as a result of this military operation. What reimbursement has Egypt received?

Mr. **Darman**. Senator, there is, as I believe you know, the Gulf Crisis Financial Coordinating Committee, I believe it is called, which is chaired by the Treasury Department and co-chaired by the State Department, but it is an international group of 20-some odd countries that is trying to coordinate the development of economic assistance for appropriate parties. I have the information with respect to Egypt, Turkey and Jordan as a group.

Senator SPECTER. How much have they received?

Mr. DARMAN. The commitment to Egypt, Turkey, and Jordan as a group is, I believe, $6.4 billion of which $5.6 billion has been disbursed—excuse me.

That is not correct. The total commitment to those three is $11.4 billion, of which $7.3 billion has been disbursed to date.

Senator SPECTER. Secretary Baker has identified Israel as a frontline country. How much has been disbursed to Israel?

Mr. DARMAN. Of course, in the case of Israel, it is not handled through that coordinating council.

Senator SPECTER. Why not?

Mr. DARMAN. Well, there are several states——

Senator SPECTER. What mechanism is handling it for Israel?

Mr. DARMAN. There are several states that were on that council that would not participate in an effort if the purpose were to provide assistance to Israel.

Senator SPECTER. What did the United States say about that?

Mr. DARMAN. I don't know what the United States said about that, but I know that the United States has been working very hard with the European Community, which has now voted to provide economic assistance to Israel, and I don't know the details, because I don't think they have been refined yet on what exactly that will be.

In addition——

Senator SPECTER. How much has been paid by the Europeans? Aside from some money from Germany, what has been paid by Europeans?

Mr. DARMAN. Germany has committed to additional economic and military assistance. The Europeans, I don't think, have made the payment at this point. They have simply voted at the EC that there will be an EC commitment, a contribution, but the amount, I don't think, has been determined yet.

In addition, of course, we ourselves have provided the standard substantial assistance, and then more particularly, two Patriot units have been transferred to Israel.

Senator SPECTER. More than that.

Mr. DARMAN. Those are currently priced at about $100 million each.

Senator SPECTER. My point is this, Mr. Darman and Mr. Atwood: The issue of the cost of this war is a broader issue than your request today, but there are going to be many requests made on the Treasury of the United States. I would like to see us assess what the total costs are here in terms not only of what Jordan, Egypt, and Turkey have sustained but what Israel has sustained as well.

I am not impressed by a comment that the Arab countries would not participate if Israel was included.

I think we ought to be pressing to have all of those who have been damaged by this war included on an equitable basis. And we have other countries which have been damaged. The Eastern European countries have been damaged by the impact of this war, and those countries will be coming to the United States for additional support.

I have a concern, and I have addressed this concern to the Department of Defense in letters to Secretary Cheney and to the other relevant departments, because this is an overall issue which we ought to be tackling. I see my time is growing short, so let me raise one other concern.

What is our calculation with respect to Iraq's contribution to the damage in this war? I know that reparations is not a very pleasant word given some of the historical experience. However, I do not think for a minute that we ought to start to calculate the costs of this war and the burdens on the United States Treasury, talking about $15 billion today, without starting to think about Iraq.

When I heard Secretary of State Baker talk about United States helping to rebuild Iraq, I was aghast. I notice since that the President has backed off from that position.

But considering that Iraq has the second largest oil reserves in the world and that Iraq is the malefactor and Iraq has caused this damage, we do not need to talk about paying for the damage. I would like to know if the Defense Department and the Office of Management and Budget are going to look for Iraq to pay part of its costs before coming to the United States Treasury.

Mr. **Atwood**. Could I say one word on that? That is that as the Senator knows, this supplemental that we have brought forth here is for our own Defense Department expenditures on Desert Shield and Desert Storm, and as far as what damage was done in other countries or to their economic status, that is not reflected in this.

Chairman **Byrd**. Senator Leahy.

Senator **Leahy**. Thank you, Mr. Chairman. I apologize for being late for this meeting. I have been at the White House this morning with some of the others, and it is interesting: The same discussions were coming up there, as you can imagine, as you are hearing here.

I couldn't help but note the question of who is paying what. I know that Senator Hollings in his careful but direct manner has raised this issue with you already. Let me emphasize that we seem to have this, "The check is in the mail" syndrome, especially with some countries that have the most ability to pay, as well as the most at stake in keeping the oil flowing. Yet they have done practically nothing.

I will not try to cover again, Mr. Chairman, the questions that you and Senator Hollings and others have asked about where the promised money is. Let me just ask this question of Mr. Darman. Can you set up some plan for any Senator who wants—those of us who appropriate money—can call and get a definitive answer. We want you to tell us: "This is the amount of money that has come in from countries involved in our operation in the Persian Gulf", and "This is the amount of money that has been promised," so that week by week as we are asked to vote the U.S. taxpayers' dollars to pay for this, we can at least call up somebody and ask, "How much has come in from anybody else?"

Is there such a place?

Mr. **Darman**. Thank you, Senator. The answer is yes. At the moment, we have a detailed daily accounting system for receipts, as you would expect. And the Comptroller here of DOD, Sean O'Keefe, is in a position at any moment to tell you exactly, moment by moment, what has come in. I have accurate data here as well.

Senator **Leahy**. The reason I ask that, Mr. Darman, if I might interrupt, is I remember when Senator Byrd was asking some very specific questions, as was Senator Mitchell, at one of the White House hearings that you were at about 1 month ago, on the cost of Desert Shield. There seems to be a kind of a moving target on what it has cost us and what contributions we had gotten in. So that is why I am concerned about it. I know that you must be counting it as it comes in.

Mr. **Darman**. That is right.

Senator **Leahy**. But at some point, we have to decide how much we are paying out.

Mr. **Darman**. Right. I wanted to distinguish that the part that is relatively easy is what has come in. That is kept moment by moment as it comes in and is very reliable.

The small technical qualification as to the pricing of in-kind is, as we have said to Senator Burdick, a very small remaining piece of this.

The other two elements on the costs—what is going out and the commitments—we have recently, in the past week or so, worked out on the House side what is now known as the Schumer-Panetta bill—I don't know what the Senate equivalent is at the moment that may be pending—that would require us to report routinely to the Congress on money out and on commitments made.

We have indicated in advance of this hearing to the chairman that we would be happy to have some mutually agreeable reporting requirement addressed by this committee, if this committee chose to so do.

Senator **Leahy**. I happen to agree with that procedure. I have cosponsored a similar bill here in the Senate.

Mr. **Darman**. I apologize.

Senator **Leahy**. But let me ask you this. When I left the White House meeting this morning I said one thing: Obviously, all of us stand united in support of our troops over there, the men and women who are carrying out the fight and the allies which have joined with us. We hope for complete success for them and that they will come back safely and as quickly as possible.

We have the suggestion from Saddam Hussein of a withdrawal, one that I don't take all that seriously. I feel, as I said in the meeting this morning, that if Saddam Hussein ends up safely back in Baghdad when this is over, at least let him be back there without his heavy armament, without his tanks and Howitzers and everything else.

So that is clear, and I think that is going to happen. I think it is our intention to make sure that he does not go back, no matter who surrenders and who retreats, with their equipment. If he ends up afterward as a leader with an unarmed army, then his own people can decide what to do with him. But we are still going to have a postwar question. There is still going to be a sense of security or insecurity in the area. There is going to be a lot of to do work with other countries.

Are we planning on dealing with the regional security problems? Perhaps, Secretary Atwood, that should be best directed to you.

Are we going to have a prolonged U.S. military presence there? How are we going to pay for that? What do you see 6 months and 1 year after the war has ended?

Mr. **Atwood**. Obviously, as you know, we are there as the guests of the Saudi Arabians now, and that is an issue that has to be discussed at great length with the group of nations that we are working with and no definitive resolution has been made. If you are asking, what do I envision is going to happen, we have long had a presence there of our Navy and, to a lesser degree, of our Air Force, and I consider that that would continue, depending upon what the allies would like to see, the Arabian allies, Saudi Arabia, and Kuwait.

It is entirely possible that we may be requested to have some presence of our ground forces there, but I would defer that until the consultations that are even now taking place.

Senator **Leahy**. We are going to be there with Iran having a significant part of Iraq's Air Force in hand as well as their own military might.

Syria, while technically allied, in my opinion has not been a great friend to the United States in the past. After all, this is the country which shielded the people who planned and carried out the murder of over 240 United States Marines in Lebanon. They still have terrorist groups in many places around the world and still train terrorists, and they have to be creating some concern.

Do you think that the various kingdoms of Saudis and the Emirates can put together a security framework with Iran and Syria there and do it without a significant United States military presence?

Mr. **Atwood**. Well, I think this: That there is a whole new outlook. You will recall that before last August there was great concern that no one would ever allow United States soldiers and Army people to be stationed in Saudi Arabia. That all evaporated with the situation that developed when Saddam Hussein invaded Kuwait, and right now, there is a different outlook.

There have been concerns that we would not have soldiers in Israel, but obviously, we have our own people in there operating the Patriot missile sites. So I think the environment which existed prior to August 2 is sufficiently different that I wouldn't rule out anything, and I think in these discussions, which need to take place, that is one of the key elements as to what our role should be in terms of our armies.

Senator **Leahy**. Thank you.

Mr. **Darman**. Mr. Chairman, could I add one word, please?

From a budgetary perspective, Senator Leahy, I would just like to add that whatever the subsequent regional security arrangement may or may not be, if you are talking about the costs of regional security 6 months to 1 year after and then beyond, I would not interpret those costs as incremental costs of Operation Desert Shield subject to exemption from the cap.

In other words, if there are such costs of regional security in the future, putting that in brackets, I don't know the answer to that. If it turns out that there are, those would still have to be within the mutually agreed and legislated caps for defense and international affairs and the rest of the budget.

Chairman BYRD. Mr. Cochran.

Senator COCHRAN. Thank you, Mr. Chairman. The other day I noticed a report from the other body, a request that some of the funds that were being recommended by some of the committees there for veterans benefits, to be considered as a part of the Desert Shield/Desert Storm operation to the extent that they would be exempt from caps on the budget agreement that was negotiated last year, and otherwise not require any other kind of offset from other accounts.

Our chairman, I think, should be commended for pointing out earlier in all of this that before everybody got carried away and passed a lot of new programs and new entitlements, in effect, that we be careful that we not do something that is going to require reductions in other programs.

I just wonder whether or not you have had an opportunity as a matter of administration policy to take a look at this issue and let us know what your thoughts are on whether any of these so-called veterans benefit programs should be included in this supplemental request.

Mr. DARMAN. Thank you, Senator.

We do not have any additional such benefits to recommend for inclusion in this supplemental request. I agree with you that Chairman Byrd was right to ask for clarification of our understanding early, and we provided a letter to Chairman Byrd and to Senator Hatfield which I hope may be available to the members of the committee—it may already be—which attempted to clarify our understanding of what would and wouldn't be appropriately considered benefits that should be exempt from the defense appropriations cap.

We have a fairly narrow interpretation. Notwithstanding that, as a separate matter, I would note there are probably at least 30 significant pieces of legislation pending in the House or the Senate that overlap with each other that deal with this issue in one way or another. Some of the authors seem to understand the law in the same way we do; others seem not to.

We are working with the parties to try to see if we can come up with, across the whole Congress, a more uniform understanding of the way in which the law should be applied with respect to scoring, offsets, and so on.

Then within that framework, instead of just having a proliferation of these things, every one of which is, on its face, naturally popular in the current context, instead of just having proliferation, come up with an orderly analysis of the reasonable ones to include in the package, sensibly offset as necessary in accordance with the law, and then to move it forward on a bipartisan basis.

I don't know if it would be possible to do it on that reasonable basis, but I really think it is the right way to do it.

Senator COCHRAN. I appreciate having that response. It does make me a little nervous about the political ramification of all of this. We have had already some members designated as sort of a clearinghouse of sorts for these requests, trying to make sure that we do examine the benefit structure and see that it is responsive, and if there are any changes that need to be made, then we can make some adjustments.

But I would hope that before we got too far down the road in that direction, we would have a look at what the budget implications are, and what the Appropriations Committee's responsibilities are, so we don't end up having a full-fledged fight on the floor that gets misinterpreted as being hostile to veterans' benefits. We are not hostile to veterans' benefits, but we do want to make sure that this is explored fully in concert with the administration.

I noticed, for example, since I am a member of the Labor and Human Resources Committee, the other day, we reported two bills out of that committee that would add authority connected with some kind of education or health benefit program that is made available to veterans, and I was wondering, as we were doing that, what kind of budget implications and impact we might be having on other programs that are important as well. So it is good to know that you are trying to help us sort through that issue.

I wonder whether or not——

Chairman BYRD. Would the Senator yield?

Senator COCHRAN. Yes, Mr. Chairman.

Chairman BYRD. Was the question raised in the committee at that point to alert the committee?

Senator COCHRAN. Well, no, it wasn't, and that was a question that occurred to me at the time, but I didn't want to be interpreted as being against these bills, and I think that is going to have a chilling effect on other Senators as these issues are raised. If you do bring a question up about the budget implications, they will think you are against the program.

Chairman BYRD. Would the Senator yield further?

Senator COCHRAN. I would be happy to.

Chairman BYRD. I hope we won't stand back because of that concern. I went over to the Senate floor and called attention to the problem when some other Senators on my side of the aisle were talking about new legislation. I hope that I won't be interpreted as being against the legislation, but be that as it may, somebody has to call attention to it, and I think it ought to be called attention to right in the committee or else the other members will not be alert to the problem. I think once they are alert to the problem they will gauge themselves accordingly, or I hope so.

Senator COCHRAN. I thank the chairman.

Mr. Secretary, I wonder whether or not you can judge from the success of some of our weapons systems to this point whether or not you are going to be requesting additional funding for some of them that might be particularly suited to a peace-keeping role in that region.

I don't want to make a commitment that we are going to be the ones that have to shoulder the whole responsibility, but I would imagine that given the technological advantages that the Patriot missile and some of these other systems have demonstrated, that it may be, as a part of an ongoing commitment as a member of the coalition, that we would want to ensure that we had adequate supplies of weapons systems of that kind in case we are called upon to contribute to a peace-keeping force.

What is your reaction to that?

Mr. ATWOOD. I think your point is very well taken, and one of the points in our role after the conflict ends is a possibility of prepositioned equipment over there, so that although we may have minimal-type presence, we would have equipment there which is available in case a conflict should arise again.

Obviously, the success or particular success of some of our smart bombs, the Patriot missile and some of the other elements that we have over there, lend themselves to such.

On the other hand, what we have included in our inventories and what we plan to procure to replenish those inventories would permit that without any added presence, I feel.

Senator **COCHRAN**. I don't want this moment to pass without saying how much I have been impressed with the organization and the carrying out of the mission of Desert Shield/Desert Storm by the Department of Defense. As a representative of that Department at the hearing this morning, I hope you will pass on to Secretary Cheney and all the others there who have been involved, the tremendous respect that they have gained here on the Hill, and in the Senate, and throughout the world for the tremendous contribution you have made to peace and stability in that region.

Mr. **ATWOOD**. I will be very happy to. Thank you, Senator.

Chairman **BYRD**. Senator Sasser.

Senator **SASSER**. Thank you very much, Mr. Chairman. Mr. Secretary Atwood and Mr. Director Darman, I think everyone in the Congress, and I suspect everyone on this committee, wants to see that our men and women in the Middle East have all the resources that they need to get the job done and to get back home just as quickly as they can. There is not going to be any controversy out of this Senator in seeing that they get the funds and the resources to do that.

Now, having said that, I do have some questions about the proposal that you bring to us this morning. As I understand it, what you are doing here this morning is asking for a $15 billion appropriation which the Budget Director has characterized as a bridge loan. I have a hunch that loan won't be paid back. But you are asking for a $15 billion appropriation, and essentially, you are asking for authority, as I understand it, to spend up to $68.5 billion, which would include the $15 billion appropriation and the various funds that are anticipated to come in from our allies.

Now, if I am correct in that assumption that you want the authority to go ahead and spend that amount of money or money in that magnitude, within that range, I have some concern about the Congress abdicating its congressional authority to oversee this spending in the sense that what we are doing is simply giving the Department of Defense, in conjunction with the Office of Management and Budget, the authority to expend an enormous sum of money with essentially no congressional oversight.

Am I interpreting the request this morning correctly?

Mr. **DARMAN**. Can we both respond?

Mr. **ATWOOD**. Together. [Laughter.]

Mr. **DARMAN**. Perhaps from different perspectives. First of all, Senator Sasser, the $68.5 billion is correctly the sum of $53.5 billion and $15 billion, but it would not necessarily all be spent. It could only be spent for the incremental costs of Operation Desert Shield. It could not be spent for other purposes, and if those costs, as may well be the case, turn out to be less than $68.5 billion, as noted, then it wouldn't be $68.5 billion.

So it has to be for incremental costs of Operation Desert Shield. It is not, in that sense, a blank check. Second of all, a great deal of this, in a sense, has already been spent, so when you talk in terms of congressional oversight, what you really, in my opinion, are talking about is oversight of the process by which accounts that Congress had already appropriated funds for are replenished.

To that extent, what is going on here is replenishment of accounts to conform with the original appropriations intent of the Congress, reimbursing them for expenses that have already been incurred.

Senator SASSER. Let me ask you this question: When we use the figure $68.5 billion, we are not actually talking about cash in hand. We are talking about a lot of checks that are in the mail and checks that we hope that we will receive. We have got no absolute ironclad guarantee that they will be received.

Let's just take an example. As I understand it, what we are talking about this morning is allowing the Department of Defense to go out and make contracts or incur obligations on funds that they anticipate will be received from foreign governments but have not yet been received.

For example, I am advised that we have fired off a number of the Tomahawk missiles in the Navy's inventory. DOD decides to replenish the supply, and you go out and make a contract to do that. But if the funding that we are counting on from foreign governments does not materialize, then we are back here to the Congress asking for the money to honor that contract, are we not?

Mr. ATWOOD. May I answer in a little different way? That is, if you pick something like the Tomahawk missile, in which we are firing a certain number of them and depleting our inventory by that amount, depleting it probably beyond that which we would have even though we have a drop in our Armed Forces over the next 5 years. What we are asking for is the funds to go ahead and procure up to that projected inventory level, and those funds, we believe, should come out as a cost of Desert Shield or Desert Storm.

Those funds would be made available with, as Mr. Darman said, a bridge loan to start with, with a replenishment of the loans of the money that comes in from our participating countries, but we will not be doing anything different from what we have proposed in here.

We are going to replenish the inventories up to the level that we forecast they should be out to the time period when this takes place, and we are also covering the costs of our Reserves who have been called up to active duty, of maintaining the forces who are overseas now, and have included the funds for a phasedown of those after hostilities cease and bringing them home.

Senator SASSER. Well, now, on the question of the Reserves, Mr. Secretary—and any of you can answer these questions—you have presented to us this morning a 109 page document which lays out, as I understand it, the ways in which the funds could be spent. Now, to be fair, you indicated that this document is notional, representative, and that this is not to be viewed as a document that lays out specifically how you are to expend these funds.

But in the 109 page package that you give us, you assume that 346,000 Reserves will be called up. Yet to date, we have only called up 206,000. Are we assuming that another 140,000 Reservists are going to be called up regardless of the length of the war? Frankly, I doubt that. The way the war is going, when we look back on it, we may find we called up too many Reserves. But of course, we have the benefit of hindsight here that we didn't have at the initiative.

We also have in this document $2 billion included as incremental fuel costs. Does this include the amount of in-kind contribution in fuel costs that the Saudis have provided?

We also have in this document the question of moving the 7th Corps back to Germany. Well, does the package before us or is DOD assuming at this time that we are going to move the 7th Corps back to Germany even though we know that or we feel that our troop strength in Europe is going to be reduced, scaled back in Germany in the not-too-distant future?

These are questions that I think are legitimate for the Congress to ask, and some of them, as a matter of fact, are major policy decisions that I feel that at least there ought to be some input from the Armed Services Committee and from this Appropriations Committee, perhaps even the Foreign Relations Committee here.

Mr. Atwood. I think that is a valid series of questions, and let me just say that overall, because at this instant, and particularly when we put the supplemental request together, we could not predict with certainty the magnitude of the war or the duration of it, we gave notional numbers as to what it could be, including a range of numbers of expenditures per day which went from about $300 million per day up to over $1.5 billion a day, depending on the intensity of the struggle, and not trying to predict it, just saying, "This is where it could be."

To the same extent, we took the Reserves, which are just over 200,000 now, and said, "It could be as much as 340,000 Reserves." This isn't predicting they are going to be, nor in fact, are we saying we are going to call them up. It depends upon the length and intensity of the conflict.

Relative to the fuel, that does not include in-kind. I believe the number you are quoting is the extra cost of fuel based on what is happening. OPTEMPO being different and fuel costs being different because of Desert Shield.

As far as the 7th Corps is concerned, we only said that those people, those military people who are coming back would either come back to the United States or to Europe, whence they originated, but we are not trying to predict that that is where they are going. But for costing purposes, we put some numbers in.

Senator Sasser. I understand, Mr. Secretary, and please understand, I am not faulting you for your document and the predicate on which you have built your case here. I am simply saying, and I think you would agree, that much of this is supposition at this point, but many of these are very major questions, and it appears to me that some of this should be handled by the Congress. My time is up.

Mr. Darman. Could I have one word, Mr. Chairman?

Chairman Byrd. Sure.

Mr. DARMAN. For clarification, Senator Sasser, it might be useful to know that in the 108 or 109 page document you referred to that we submitted there may be an element of confusion that we accidentally created. We have perhaps as many as 40 pages in there, starting on page 9, that are what you might term notional that talk about what the costs, what the baseline costs would be for a whole year.

We included those to show what the whole year would look like on the theory, when this was being put together, that that would be of interest to the committee, but we independently calculated what it is through March 31. Now, through March 31, it is nowhere near so notional, because most of it has already happened, and those numbers are very specific and quite reliable, with the exception of the month of March. The month of March is $2.9 billion.

So if you assume zero for the month of March, which is not a realistic assumption, but if you assume zero for the month of March, you could take the nearly $40 billion in hard demonstrated costs minus March, the $2.9 billion, and have, let's say, $36 or $37 billion of hard, demonstrated costs already incurred.

That, then, leaves you only with the question: How much more is necessary to reimburse for March and for the incremental costs of the combat? I am only trying to suggest that, for example, on the Reserve point you raised and a number of others, those numbers relate to what would happen were it continued all the way through September. For pricing through March, we use actuals as best we could where we have them, not the projection for the whole year.

Chairman BYRD. Senator Domenici.

Senator DOMENICI. Thank you, Mr. Chairman. Let me first say to you, Mr. Chairman, my recollection is that the suggestion that we handle Desert Shield and, obviously, Desert Storm, which followed, was yours, that we handle it this way; I am not saying precisely the way they have suggested, but that we not put it in the regular Defense budget and its regular appropriation.

I want to say I wasn't quite sure you were right when we talked about that at the summit, but as I watched the language develop and the war ensue, I believe it was absolutely necessary that we have a separate account of some sort and that we have a supplemental appropriation for the cost of the war.

Now, the fact that it is difficult to determine what the incremental price and cost is doesn't make the idea any less valuable.

Let me suggest where we would be if we didn't do it this way. Most Members of the Senate have been for reducing defense expenditures over the next 4 years rather substantially, and the only argument around here was, "How much was enough?" Because it is coming down.

Well, we finally reached a compromise that it would start down, and for the next 2 full years, we know exactly where it will be, and 4 years hence, it might be at 3.6 percent of GNP, the lowest in 50 years.

Now the problem we will have, if we don't find a way to pay for the war incrementally, its cost, separate and distinct, we will have two budget arrows going in the opposite directions. We will have one saying, "All of defense is coming down," but right over here, we will have one saying, "But now, it goes up." Interestingly enough, they are not two budget arrows that are off one over here and one over there. There is one defense budget, and it's going down, and there is a separate supplemental.

They both have to do with F-16's, M-1's, Tomahawk missiles, and all the sophisticated things we saw over there, as well as other defense elements like the Reservists who were added.

So I would like to suggest that I don't think anyone assumed that defining the incremental cost of Desert Shield would be a simple and easy proposition. It is going to be most difficult, and when we proposed it, we had no idea it would be this major effort. I also don't think anyone thought we would have all of this money pledged or contributed by foreign countries. There are some who are up here complaining about the fact that not all of the pledges have been paid. I want to congratulate the administration. I think this is absolutely incredible that countries that committed, if I read it right, $53.5 billion to this effort.

Incidentally, one of my fellow Senators, the distinguished Senator Hollings said, "If the Japanese don't pay, we will just put a tariff on them," or, "Well, if the Saudi's don't pay, we will just put a tariff on oil." Well, in theory that is wonderful. Except the American people would pay for the tariff instead of the Saudis or Japanese. Do you think a tariff on oil is paid for by the Japanese or paid for by our consumers?

Now, Mr. Darman, I believe you have a problem, because you have to explain to enough people up here why you cannot appropriate to the actual accounts. You have tried to explain it and you have done it over and over, but from the questioning, it is not quite understood as to why you cannot look across the fence and say, "Let's appropriate the incremental cost to the Air Force for whatever portion of the F-16's that crashed," or why you can't do that.

I, frankly, don't see how you can, so I laud you for the idea of putting the "Working capital" account together.

But I am worried that it will lose out to the notion that the supplemental must have an authorizing bill, and I believe that has all kind of problems. I don't know how long it will last. It will be the instrument for policy discussion. So I want to ask you two questions: In your approach to incremental costs and the "Working capital" account have you tried to eliminate making any significant new policy decisions about the defense of the United States?

Mr. **Darman**. Yes.

Senator **Domenici**. So that any policies that are operative have already been authorized and partially appropriated and we will appropriate a residual to them for the incremental burden on them from this war; is that about right?

Mr. **Darman**. That is exactly correct.

Senator **Domenici**. Let me ask you: Explain to us one more time why the Indian war feed and forage statute, which could carry you on for awhile, explain why this statute is not so good and why you believe we should use the working capital concept instead of funding each line item within the Defense Department as you determine the incemental impact of this war.

Mr. **Darman**. Let me separate those, if I could, Senator. Even with the Civil War statute, food and forage, even with it, we are going to run out of money in May.

Senator **Domenici**. Right.

Mr. **Darman**. So that, you can just put aside. There is going to have to be a supplemental appropriation. That is inescapeable. So I think we could narrow the question to: Why the "Working capital" account? And on the question of the "Working capital" account, let me just repeat what I suggested earlier: We thought this would be a simpler way to handle the accounting and display what is going on.

If the committee would prefer to do it another way, we are not seeking any new policy; we are not seeking any new control. We are seeking simply the most orderly and sensible way to replenish the accounts that have been depleted and that will be depleted because of the incremental costs of Desert Shield.

To press it a point further, if you and your colleagues wished to formulate this as a direct appropriation, there is no inherent need to structure it through a "Working capital" account. Its advantage is the one that I tried to suggest earlier; it makes it very clear what we are actually doing here. But if you don't like that advantage, we are comfortable with finding alternative ways to accomplish the same purpose.

Senator **Domenici**. Well, it seems to me it will be a bit difficult with reference to how we apply the foreign money versus our own——

Mr. **Darman**. That is right.

Senator **Domenici** [continuing]. Because our goal is to use little or none of our money if the foreign money is sufficient. So it seems to me that unless you set up something, you will have appropriated our money for something, and I guess we can write the statute of law that says it will be automatically disappropriated and paid for with foreign money. That is a new concept, but I guess we could do that.

The other thing——

Chairman **Byrd**. Hold that point, Senator.

Senator **Domenici**. Sure.

Chairman **Byrd**. I saw our two witnesses nodding our heads in the affirmative. I wonder if we could get that answer on the record.

Senator **Domenici**. Yes.

Chairman **Byrd**. The Senator had stated to the effect that we would appropriate only if our foreign commitments did not come through, and hopefully, that if they came through, we wouldn't have to appropriate, at least, very much. I hope I have rephrased the question.

Senator **Domenici**. You have. And the point is——

Chairman **Byrd**. Is that accurate?

Senator **Domenici** [continuing]. Is that not what we are attempting to do?

Mr. **Atwood**. Yes; that is correct, except for the transitional period.

Mr. **Darman**. Except for the transitional cash flow issue, and there is a related management issue, in my opinion, which is this, although they are better prepared to speak to this. It is my opinion that the Defense Department would be a lot better managed, and they have argued this consistently over the years, if they knew reliably the budget framework within they are operating. This would allow them to replenish the accounts on an orderly basis, get back to the original congressional intent of these accounts, and to manage and plan in accordance with that, knowing that the U.S. Government has established a "Working capital" account or whatever other means you want to do it that can be relied upon so that they are not sitting there trying to manage on the basis of waiting for the check that is in the mail. That just seems to me to be sound management.

Senator **Domenici**. Let me tell you, while I asked the question and the chairman interpreted it, my followup question is, if you want to go ahead with the supplemental and, in the best way possible replenish stocks using a "Working capital" account so you can do that in an orderly manner and make the foreign funds fungible so when you get them, you back out our money. That is what you want.

Mr. **Atwood**. Precisely right.

Mr. **Darman**. Not just for that purpose, Senator, but also, because I think perhaps this is a little more sensitive point. I am not at all sure you want to be in the position where you are saying, "Country A's payment on February 13 is now going to pay such and such a division."

"Country B's payment due on February 28, will be used for such and such an appropriate purpose," and so on. I think you start to create both undesirable domestic appearances and foreign policy problems, and there are some countries that are not at all going to be comfortable with what it is that their money is being appropriated for. I think there is another advantage, therefore, in making the money, as you said, fungible.

Chairman **Byrd**. I thank the Senator. Senator DeConcini.

Senator **DeConcini**. Thank you, Mr. Chairman. And thank you for these hearings. And, witnesses, I appreciate your answers here. They are as good as I think they can be with an understandable amount of haziness because of the war that is proceeding as we sit here today.

Secretary Atwood, can you tell us, has any determination been made as to how much, if any, of the U.S. equipment now in the gulf states would remain there after withdrawal of our forces?

Mr. **Atwood**. No; we have not determined that. We have given a lot of thought to that subject, but as I mentioned a little earlier, part of that must be the result of discussions with the coalitions as to the force level, as to whether and how much is left.

Senator **DeConcini**. What about whatever is left there? Has a determination been made or is it in negotiations now whether it be prepositioned equipment for United States forces only in the event that they are called to come back, or would it be provided to the governments of Saudi Arabia, Kuwait, Qatar, and UAE or anybody else?

Mr. **Atwood**. That determination has not been made, but presumably, the first cut at it would be for our own use.

Senator **DeConcini**. For our own use. That is what you would like to achieve?

Mr. **Atwood**. Right.

Senator **DeConcini**. If the equipment is to be positioned, would this take the place of future arms sales in these regions?

Mr. **Atwood**. Not if it is for our use. Is that what you are referring to?

Senator **DeConcini**. Yes; in other words, if it is left in country for our use, it won't be weighted as to any future arms sales?

Mr. **Atwood**. Well, that is presuming something that I am not prepared to go into at the discussions here.

Senator **DeConcini**. Can you then comment on the status of phase II of the Saudi Arabian arms sale?

Mr. **Atwood**. No; I think that was withdrawn, as you know, and my understanding is it is still in a withdrawn status.

Senator **DeConcini**. You don't expect it to begin shortly after this war is over?

Mr. **Atwood**. I have no reason to think that is coming forth at this time.

Senator **DeConcini**. Thank you.

Let me ask you another question. The State Department is currently reviewing the fiscal year 1991 military assistance to Jordan, and because of Jordan's pro-Saddam Hussein posture and King Hussein's deplorable anticoalition statements, do you know if the administration—Mr. Darman, you could answer this, too—is considering transferring the $50 million in aid to Jordan to pay for some other cost of the war or in the foreign operations account?

Mr. **Darman**. I believe the whole matter is under review within the State Department and that Secretary Baker personally has the issue under advisement as he looks at other possible uses within the 150 account, but I don't think a final determination has been made.

Senator **DeConcini**. It hasn't been made yet?

Mr. **Darman**. But obviously, that does suggest itself as a possibility, and he is examining that.

Senator **DeConcini**. Mr. Darman, so I can understand this, there is another supplemental bill. Some of that deals with war-related costs. Am I correct?

Mr. **Darman**. Yes; you are correct.

Senator **DeConcini**. OK. Your nondefense Persian Gulf supplemental, then, as I will call it—maybe that is the official name of it—includes requests for additional fundings for activities of many law enforcement agencies necessitated as a result of the terrorism threat associated with the gulf.

For example, you have requested $4.6 million for the FBI; $3.1 million for INS; $2 million for the Bureau of Alcohol, Tobacco and Firearms; $4.9 million for the Secret Service. All of these requests have been designated by the President as emergency requirements under the terms of the Omnibus Budget Reconciliation Act of 1990.

These are all worthy, and I have looked at them, and I can't see that any of them do not fall into this war-related area.

The one problem I want to mention to you is there is no request included to supplement funds for the U.S. Customs Service. As you and I know, Customs has a crucial role to play in defending the land borders, the sea, and airports from the entry of illegal contraband.

Customs is working closely with FBI and other law enforcement agencies to respond to the increased antiterrorism threat, particularly at key airports and ports of entry. Most of their inspectors are working 15-hour shifts, and at the smaller northern border ports, where staffing is extremely limited, this has created a need to move the inspectors and agents from other locations. I know Customs did submit a request for $5.5 million for Persian Gulf-related activities through March 31, 1991, and for some reason, that request was denied.

I am raising this matter because I would like to ask you, Mr. Darman, if you and your people might look at this again to see whether or not there is not some justification for inclusion of some Customs funds in the urgent supplemental related to the Persian Gulf.

Mr. **Darman**. Senator, you are correct. It is $5.4 million that Customs did, very late in our own internal review process, come in with a request. I think it was on the last day, as I recall, as we were putting together this supplemental. I don't know why it was so late.

Senator **DeConcini**. I can tell you why, if you are interested in knowing.

Mr. **Darman**. I know you have excellent relations with the Customs Department and may well know better than I.

Senator **DeConcini**. They weren't asked to put anything together until the night before the deadline.

Mr. **Darman**. That is peculiar, because virtually every other agency of the Government submitted a request.

Senator **DeConcini**. Yes, I know.

Mr. **Darman**. But in any case, to answer your question, of course, we would be willing to take another look at that issue. I can tell you this, as I know you know from sources independently, also: We turned down an awful lot of requests, some very substantial requests from lots of agencies. We even had our own back and forth with our friendly local Department of Defense, and so it is not as if Customs was——

Senator **DeConcini**. Singled out.

Mr. **Darman** [continuing]. Singled out in being denied, but yes, we could take a second look at that issue.

Senator **DeConcini**. All right. Let me just tell you that the reason it grabbed my attention is that the AWAC's, for instance, are no longer operating in the Caribbean, off the coast of Colombia or off the coast of Mexico because they are dedicated someplace else. Customs, of course, has the P-3 planes in Corpus Cristi and also in Panama, and they don't have the money to fly them. They don't have the pilots, and they just don't have the money. Some of the Customs supplemental appropriations request pay the crews and the pilots overtime to keep the P-3's operating at optimal levels.

The DOD has offered to give them the pilots, but they need the flight engineers and then, of course, they need the funds. To me, those costs are directly related to the gulf war because the AWAC's were playing a large role in the war on drugs, and now they are not available for that purpose. I don't know whether that was called to your attention, but those are the kinds of things I would like to submit to you on behalf of additional funding for Customs. I don't have any quarrel with these other law enforcement needs.

This is small money in comparison to the whole thing, but I hate to see Customs fall through the cracks.

Mr. **Darman**. Could I make a request in the nature of a comment, perhaps, Senator? We have applied what I think is a tough standard, which is why a lot of agency requests for Desert Shield expenses were turned down; some accepted, as you noted.

I would only ask that we approach this in the spirit of fairness and try to keep the strict standard, because we have held the Department of Defense to a strict standard, and I think Chairman Byrd and you mentioned, Senator Sasser, and some others who were involved with the budget summit would say that we used the term incremental at the time, each of us with a common sense understanding of what the term would mean, but without specifically, in detail, defining it. We have defined it strictly and have applied it strictly to defense, and I am only asking that we apply the same standard across the board.

Senator **DeConcini**. I guess I have no quarrel with that, unless you conclude that the AWAC airplanes which assisted in drug interdiction are gone because of the gulf war, so now there will be no air surveillance coverage due to the gulf war. That is the only reason the AWAC's aren't there. Customs is asking for less than $0.5 million to cover that loss. It is directly war related, in my view.

Mr. **Darman**. I said we would look at it. I want to say maybe what I haven't said, which is, as you can imagine, there have been some extraordinarily inventive and superficially persuasive arguments about categories of expenses that should be understood to be part of Operation Desert Shield. All parts of the government that I never realized had anything to do with Desert Shield are suddenly in with Desert Shield supplementals.

Senator **DeConcini**. Yes; and I don't doubt that for one moment. As a matter of fact, in my own opinion, this $5.4 million in Customs doesn't fit the criteria you are talking about, but the P-3 request is certainly one that does. The increased protection of the airports for antiterrorism that Customs is directly involved in certainly qualifies.

That is all I have, Mr. Chairman. Thank you.

Chairman **Byrd**. Senator D'Amato?

Senator **D'Amato**. Thank you, Mr. Chairman. Mr. Chairman, I would like to make a number of observations. No. 1, I know that it had been observed by a number of our members of the committee that although Japan has pledged a total of $10,740,000,000 to date, we have received, both in cash and in in-kind contributions, $1,323,000,000.

So you are talking roughly about $9 plus billion that is out there, and I understand that is under consideration by the Japanese Government. What happens if that money is not forthcoming?

Mr. **Darman**. Could I say, Senator D'Amato, that as I understand the debate within Japan indirectly, though I have had two direct conversations, the issue is not whether there will be $9 billion committed through the Diet. It hasn't been finally done, and it is as presumptuous there as it is here, to speak as if the equivalent of the Congress has acted before it has acted.

I think that what is going on internally is the debate over how much of it really should be for the United States and whether it should support lethal aid or not and so on. Once those issues are satisfied and are addressed and debated, I would expect we would see the full $9 billion affirmed by the Diet. I have not heard anyone talking of numbers less than $8 billion at any stage in the discussion of that debate.

Senator D'AMATO. But what you are indicating, though, is that there is a question as to whether or not the dollars are going to go to the U.S. Treasury or whether or not they are going to go in various programs to some of the nations that have been affected. Is that what you are saying?

Mr. DARMAN. I am reporting what I understand to be the political debate within Japan. Obviously, their Diet has members who have views which they hold just as strongly as members here that may differ from the prevailing administration view.

But what I am suggesting is this: I have not heard of any conversation that suggests it would be other than something over $8 billion for the United States. The range in which I have heard the debate to be proceeding is, over $8 to $9 billion.

Senator D'AMATO. We are talking about actual cash?

Mr. DARMAN. Cash.

Senator D'AMATO. I, obviously, as do other people, have feelings with respects to what our allies have and haven't done. I really share the feeling, Mr. Chairman, with you and with other members that our allies have been less than generous. I am not going to say that there may not have been some that have stepped up to the plate quickly and that have done their fair share, but if I think one were to look at what has been actually promised and what has been received, we find that the promises may have far exceeded that which has really come to fruition at this point in time.

If I might make an observation as it relates to the Saudis, even their promise of a total of $13.5 billion for 1991 and the total of $16,839,000,000 in total payoffs in comparison, when we have to go to the American taxpayer for $15 billion, and that is only the beginning; who knows how much it really will be, and I understand that theirs is an open-ended commitment. But I would just have to suggest that the Saudis would have been the 20th province of Iraq had we not moved. There is no doubt about that. I don't think, and I have said this to Prince Bander. I met with him, he is a wonderful person. He is charming, he is bright. He is all those kinds of things. But I am concerned about working middle class Americans. There are going to be activities that this Congress and this committee undertake that may appear to harm some of those families and the economy of America that has been ravaged. I hear about the rebuilding of Iraq—the Middle East—and I have to tell you—I get sick. It should not be on the backs of American taxpayers, and that is exactly what it seems to me.

Some of our friends have forgotten working middle class Americans who have lost their jobs, who are groaning under the tax burden, and I am not looking forward to going to them to ask for $15 billion when you have got the Saudis over there with a nice bank roll, with plenty of dough coming in, and were it not for us, and I don't say this a mean-spirited way, we did what we had to do.

We did it because of our interest as well. But by gosh, if we had not been there, they wouldn't be. That is why I have a tough time saying that we are almost begging and we stole the virtues, because in the future, they are going to give us $16 billion. That is nonsense. It is a pitiful answer. It is ridiculous.

What our President did was right. I have been there. I would say we would have to be there even if our allies wouldn't come up with one penny. That is no excuse for not having supported and not having been there. But I have to tell you something: It is no excuse because we have been successful and we can beat our chest now and we ought to say that ~~this is~~ enough. It is not enough. It is not enough, and I have to tell you something, Mr. Atwood. You promised me we will meet together at some point in time to discuss the F-14. When I see the good programs, necessary programs being savaged——

Why are you laughing? It is not a laughing matter. Let me tell you something. Let's suppose the F-14 had been built in Tennessee. I wonder if you would say that.

We would go one step further. Let's look at the evidence of whether or not it is necessary. If it is not necessary, if it is old or it is out of line, that is one thing, but when I hear that because of fiscal matters you are going to terminate a program that is a good one and go into building and extending the F-18 that is not going to do the mission, I have to tell you something: That makes me doubly concerned.

We are going to sacrifice America's defense and legitimate needs of our national security when we spent tens and tens of billions of dollars and haven't been fully recompensed? Congress puts in a program; you don't spend the money. You hold the $890 some odd million. Then you terminate the program. You say we need it, but we do not have the money. I didn't mean to get into that.

We will talk about that later, but I just have to tell you, Mr. Chairman, this Senator, for one, does not believe that our allies have done nearly enough. I don't think we have been forceful enough, and I don't like going to the American people and saying, "Look at the wonderful contribution that we have over here," when, indeed, the American taxpayers are going to have to come up with tens of billions of dollars over and above. Should we make a commitment? Yes, some. But not at this proportion. They don't have forces. They don't have troops.

This nonsense about saying that we don't want to look like we are the Nation whose troops are for hire, we went in there for the right reasons, not because we are for hire, not because we are mercenaries. But by the same token, I don't think that the American taxpayer should be taken advantage of, and I think we have got to get far more in the way of revenues from our allies as it relates to this operation.

Thank you, Mr. Chairman.

Senator **Sasser**. Mr. Chairman, on a point of personal privilege, the Senator from New York referred to a weapons system and made the assertion that if it were built in the State of Tennessee that I might have a different attitude. I have supported the F-14.

Senator **D'Amato**. You have, and I apologize to my good friend because of the emotion that carried the day.

Senator SASSER. Thank you.

Senator D'AMATO. You have been in the leadership. Thank you, Mr. Chairman.

Chairman BYRD. Senator Bumpers.

Senator BUMPERS. The Senator from New York should be saying all that about the MLRS, which was made in Arkansas.

Senator D'AMATO. May I ask a question of the Senator from Arkansas?

Senator BUMPERS. Yes.

Senator D'AMATO. Is the MLRS a good program?

Senator BUMPERS. That is one of the few weapons systems that has come in on time, under cost and is effective.

Senator D'AMATO. Then I would be delighted, as I know the Senator would, as it relates to the F-14, to be supportive.

Senator BUMPERS. Anybody else like to join? [Laughter.]

Mr. Secretary and Director Darman, when I was in law school, I guess second year in law school, we had a professor who used to say, "What I tell you the last day of this course is going to be more important than anything you will learn during the rest of the course." And occasionally he would remind us, and so when we got to the last day of class before the examinations, he told us what it was. He said, "Remember, boys, bill them while the tears are falling." [Laughter.]

And it was very sagacious advice, as I learned to my chagrin later, in not taking it. But it seems to me that in a few days, the tears are going to start drying up among some of our contributors, and receiving this money, enforcing the contribution commitments, is going to be impossible.

I have heard the question asked a number of different ways, but I would assume that we don't intend to exercise sanctions or take any other economic action to try to enforce these commitments. Is that a fair statement, Mr. Secretary? If they don't pay it, there is nothing we can do about it?

Mr. ATWOOD. Certainly, the Department of Defense does not intend to. [Laughter.]

Senator BUMPERS. From a merely psychological standpoint, we all know that once the crisis blows over, the parity is diminished rather dramatically. So I don't think you are going to get the money. But having said that, let me ask you one other question. I know that Korea, for example—we did a little study of the percentage of the contributions among Germany, Japan, Korea, I forget who else—Korea's contribution is 18 hundredths of 1 percent of their GNP, approximately one-third or less than the percentage of the GNP, for example, of Japan and Germany and some other countries have committed. And in addition to that, South Korea says in their public press that if oil goes to $18 a barrel and stays there, they expect to have 7 to 9 percent GNP growth this year, and if it is $23, it certainly will drop a couple of percentage points.

Why are we not hammering the Koreans for a greater commitment?

Mr. ATWOOD. I might comment on that, because I did visit Korea early on at a time when they had pledged an amount for the calendar year 1990. The purpose of that trip was to discuss with them some of their mutual technical programs, but also, to discuss with them the so-called burden sharing for our troops that are located there.

They have been very forthcoming in that area, and, in fact, have increased the amount of funds that they are paying toward the burden sharing.

As you know, going back to Vietnam, they did supply troops, and I think the Koreans have been very forthcoming, at least verbally. Their economy at this time may be something that is affecting them. I don't know. I have not been in touch with them. Perhaps Mr. Darman knows more, hopefully later, but at least when I visited them in calendar year 1990, they were very receptive, particularly to the burden sharing, which was a discussion.

Senator **Bumpers**. Mr. Secretary, let me go to another subject on the matter of reparations. We have said in the past week or two that the offers that were being made by the Soviet Union are the proposals of Soviet Union and those that Saddam did or did not accept were unacceptable, among other reasons, because they did not include reparations.

I note that U.N. Security Council Resolution No. 674 has, on the subject of reparations, what we lawyers could call preparatory language. The resolution reminds Iraq that under international law, they are liable for reparations, that is, any loss of damage or et cetera, and it invites states that have suffered as a result of this war to document and collect their claims as to those damages.

Now, we are reminding Iraq on the one hand, and we are inviting other states that have been damaged on the other hand. That is really not all that forceful, is it, and mandatory?

Mr. **Atwood**. I am not a lawyer, so I don't know that I want to opine on the legal status of this, but let me say the following: As far as we are concerned, Saddam Hussein invaded Kuwait, apparently has done irreparable damage to the people and to the buildings and to the oil supply. He spilled millions of gallons of oil into the gulf. He has set fire to over 50 percent of the refineries.

Senator **Bumpers**. Mr. Secretary, I certainly didn't want to argue the morality of this. I would certainly divinely hope that we can collect reparations from him. My real question is: How can you do it, save, for example, taking over the oil fields of Iraq?

Mr. **Atwood**. Me personally?

Senator **Bumpers**. Yes.

Mr. **Atwood**. No; I don't think that is in the cards. I think we, the United States, we abide by the resolutions of the United Nations and that is part of what we can enforce.

Senator **Bumpers**. So, in short, we are not going to be able to enforce reparations against Iraq, are we?

Mr. **Atwood**. We have not accepted any offer that he has made to date, because he falls far short of complete accordance with the resolutions passed by the United Nations.

Senator **Bumpers**. My next question is, the only way Saddam or his successor or the people of Iraq can pay reparations would be through the sale of oil. They are not likely to do that voluntarily, so my question really is: Are we prepared to take over the oil fields and pump that oil until we receive enough money to pay reparations to the people who have been damaged?

Mr. **Atwood**. I don't want to try to put myself in the position of deciding what the coalition will do, but let me assume that they adhere to the U.N. resolutions. Then, in fact, if he does not accept it, then the weapon we have is continued sanctions, and that is the approach that I would see.

Mr. **Darman**. Could I just add one word, Senator?

Senator **Bumpers**. Yes.

Mr. **Darman**. It doesn't change the basic answer at all, but I just note, in addition, there is obviously the question of the negotiated terms of peace and the negotiated terms for the subsequent structure of peace and legal claims against Iraq that can be addressed through the courts.

Senator **Bumpers**. I think they can be addressed that way, probably, but I don't think they are going to voluntarily cough up the billions of dollars over the next few years to pay reparations.

Mr. **Darman**. There is still the question of the negotiations of the terms of peace and the subsequent arrangements, and as I say there is the residual question of legal claims enforced through both international and, ultimately, domestic courts, and as you point out, it is with respect to a very fungible commodity in international transit.

Senator **Bumpers**. Let me ask you a more mundane question: We are feeding roughly 530,000 of our own men in the Persian Gulf right now, and we are probably going to wind up with somewhere between 30,000 prisoners, which we have now, and maybe a couple of hundred thousand a few days from now. Under the Geneva Convention, we are obligated to feed them the same rations we feed our own troops. Has that been taken into consideration in your projections here?

Mr. **Atwood**. Yes; I am sorry. In the cost?

Senator **Bumpers**. POW's?

Mr. **Atwood**. Yes. Yes.

Senator **Bumpers**. You have taken that into consideration?

Mr. **Atwood**. Yes.

Senator **Bumpers**. How many POW's do you estimate?

Mr. **Atwood**. If he has 1 million men, I would hate to have all 1 million, but on the other hand, there has been discussion of up to 100,000 POW's.

Senator **Bumpers**. No. 2, the 530,000 men that the Saudis are feeding now as an in-kind contribution to the United States, have you reduced the amount that you are saving by not having to feed those men stateside, those men and women?

Mr. **Darman**. Yes.

Senator **Bumpers**. Was that taken into consideration?

Chairman **Byrd**. What is the answer?

Mr. **Darman**. The answer is yes.

Chairman **Byrd**. You just nodded your head. What is the answer?

Mr. **Atwood**. Yes.

Mr. **Darman**. The answer is not only yes there, but as a general matter, again, we are trying to apply the incremental standards strictly. If there were offsetting savings from expenses that would have otherwise taken place in some account that because of the

Desert Shield action, we have taken those into account, as in this case.

Mr. ATWOOD. A good example is the Reserves. The cost of piling the Reserves up is netted by the savings in supporting the Reserves.

Senator BUMPERS. Because of this?

Mr. ATWOOD. Yes.

Senator BUMPERS. Well, my time is up. Thank you, Mr. Chairman.

Chairman BYRD. Thank you,

Senator BUMPERS. Senator Lautenberg.

Senator LAUTENBERG. Thank you very much, Mr. Chairman. I hope because of the confusion of scheduling today that I won't ask questions that have already been dealt with, and don't hesitate to remind me if I do. I know one of the questions that was raised and the one I would like to raise, is the situation with Israel.

Certainly, Israel has been recognized as a front line state. Secretary Baker confirmed that in a hearing the other day. I know that you were asked a question about why there was no request for aid for Israel in this supplemental, and I understand you believe Israel does not qualify for emergency assistance. Is that a fair characterization of what the response was?

Mr. DARMAN. It is really two parts, Senator: One is that—well, maybe three. One, the request only came in on Friday—the request from the Government of Israel—after our supplemental was submitted.

Two, having looked at it now quickly, it appears to me that the request would not qualify, and I know of no way such a request could qualify, offhand, for the Desert Shield exemption for defense appropriations accounts.

So it would, then, third point, have to qualify as an emergency, and we did not include it in the set of emergency requests that we made with our separate, nondefense supplemental.

But as I have noted, we only received it on Friday, after that was submitted. It wouldn't qualify for the first, and on the second, it would appear to be appropriately addressed not as an emergency matter.

Senator LAUTENBERG. Well, is it fair to say that Israel has been as negatively affected by the war as other front line states barring Kuwait, of course, and Saudi Arabia, which was the center of the theater of operations? Even there, I think it is fair to say that the damage was significantly less than Israel standing by, always in readiness, but never permitted to participate. Is it fair to say, Secretary Atwood, that the damage in Israel was as extensive or more extensive than any of the other front line states?

Mr. ATWOOD. Certainly, the trauma that they have been subjected to with the Scud attacks and the response that they have had to make to the Scud attacks is damaging and will be damaging on their economy. I have no way of judging that.

Senator LAUTENBERG. Certainly, the physical damage was obvious. We all saw it, right? And we are not talking now just about emotional damage, because we have no provision, no line in the budget, I don't think, for emotional damage. But the fact is that the state of readiness in Israel, which wasn't objected to by the

United States at any time, carried very significant costs to the Israeli Government. They had to protect their own interests, but also let me say, as the strong silent partner in the coalition, everyone knows that Israel's strength was there to be observed by the Iraqis whether or not she was actively participating.

So, in order to be at that strength level, there had to be significant costs involved, the Reserve, the extra security measures, gas masks, you name it. So it is fair to say that the damage was significant to the economy—the damage to everyday life. There were, as I remember, a couple hundred people wounded; a couple were killed.

At what point does the administration consider Israel's needs an emergency? Israel isn't getting the help that some of the other states have gotten from other allies; Japan certainly has not been interested in helping Israel at all. She, in fact, continues to maintain a boycott embargo against Israel. So, at what point do we say that Israel is entitled to emergency aid?

Mr. **Darman**. Senator, I have a few comments. First of all, since I have been most negative on this point, perhaps, let me just make clear that I am responding technically to the question of whether the request would qualify for the Desert Shield exemption. I don't believe it does under the law. I am not sure, but I believe your own staff examination and your own personnel might confirm the same point.

It is, therefore, not the subject of what we are dealing with here, which is the Desert Shield exemption. It is another subject. Now, on that other subject, I wouldn't wish to have us construed as anything other than appreciative of Israel's role, readiness, restraint, and, as you pointed out, suffering in some respects.

That said, speaking only for myself, may I note two points, only one of which is relevant. You said, "Has Israel been affected negatively?" The answer is yes. Has the United States been affected negatively? Yes; have many countries of the world been affected negatively? Yes; some may also be affected positively.

The United States and the world community may ultimately be the better for this unfortunate war. It would have been better if it never had to happen, but if we end up with a new world order or a stable structure of peace that is substantially better than the world order we knew before, we will benefit economically and spiritually in terms of lives that would not be lost and so on. Israel also would benefit. In other words, there are benefits here, potentially, in the structure of the peace for Israel as well.

Now I get to the relevant part. It is not an immediate emergency in the way of coming up with the funds and the legal authorization to allow certain kinds of security expenses and equipment to be installed in certain airports here right away or covering the extra costs of security at the Capitol immediately for the overtime and so on. Those are immediate needs. This request, I am sure, can be looked at on an orderly basis and in the context of the broader range of issues that will be of interest as we move forward.

It is not an immediate emergency in the sense of the other items on the list. I think that if one looks at those other items, it is clear that as we try to apply it, in every case, if you say, "Is this needed yesterday, today, or tomorrow?" the answer is yes.

Now, this assistance is being talked about more in the nature of compensation for economic loss and so on, which is not an immediate emergency.

Senator **Lautenberg**. We found it necessary to forgive, and I participated actively, Egypt's debt of $7 billion. When I was in Egypt, I was asked if I could help get a waiver on 160 million dollars' worth of interest due in September. I was in Egypt in August and in Saudi Arabia in August.

So that seemed to be of emergency character, and the administration stepped forward and did it. That was of great help. Turkey has received additional foreign aid this year. Other countries that have borne extra expenses have gotten help, either directly from the United States or from members of the coalition. Saudi Arabia has sprung to and helped Egypt, and Egypt deserves help just as Israel deserves help.

Israel's not being there, I think, would have made a heck of a difference in the way Saddam Hussein conducted the war. So I am disappointed that some front line states have their contributions considered as emergencies and Israel is not included in this supplemental, and I was very disappointed, Mr. Darman, as you outlined the benefit ultimately to be derived in the United States.

But if you are doing a cost-benefit analysis here, which is what is being suggested, I haven't heard anything yet that tells me that Israel is far better off for having taken the punishment that she has and staying on the side lines without knowing where she is going to come out.

So I don't think that is the way you really want to go. I mean, what is Turkey's benefit? They are good friends. I support the Turks, but what have they lost? They have had increased expenses. They have lost revenues from the Iraqi pipeline. These states have all lost revenues. Egypt has lost revenues. They have lost access to tourism that was very significant to them. They are included in aid programs so far.

Mr. **Darman**. Senator, if I could just clarify one point, our emergency supplemental request, which is separate from the one that we are talking about here, the defense-related one, that includes no foreign assistance request for any country——

Senator **Lautenberg**. Have we given assistance?

Mr. **Darman** [continuing]. Not for any country. We have, all the countries you have mentioned in the past, through appropriations, including Israel, and, of course, we did at the end of last year, as you know.

Senator **Lautenberg**. Not since the war has begun, Mr. Darman.

Mr. **Darman**. The only exception I can think of since the war, the only cases I know of were in the case of the $7 billion Egyptian debt that was valued at zero by us.

Senator **Lautenberg**. The interest payments were recorded to be due. Mr. Chairman, I am sorry. I know my time is up.

Mr. **Darman**. And, of course, there was at the same time congressional action on the $400 million housing guarantees. In any case, Senator, I am not saying this matter cannot be considered. I am saying that we did not view it and do not, on the basis of what I know at the moment, do not view it as an emergency. We didn't include it in the emergency supplemental, and it does not qualify, in my opinion, for the defense.

Chairman BYRD. Senator Harkin.

Senator LAUTENBERG. Mr. Chairman, thank you.

Senator HARKIN. Thank you, Mr. Chairman. I would like to ask some questions about the Patriot missile request in the supplemental. But before I begin, I want to state that I have always been a supporter of practical battlefield weapons like the Patriot, and I expressed my support for the Patriot long before the war began in a letter to Chairman Inouye, saying we ought to spend more money on weapons like the Patriot rather than on weapons like star wars.

I am raising the Patriot missile request not because I oppose antitactical ballistic missiles, but because we have unclassified information regarding the Patriot. I am going to use this as an example to ask you a broader question regarding the context of other weapons and the ammunition requests within this supplement.

If truth is the first casualty of war, then surely the second casualty is probably sane and rational military spending. Correct me if I am wrong in these figures: The supplemental request includes $114 million to convert some—we don't say how many—older antiaircraft Patriot missiles into antimissile missiles plus $324 million to buy 500 new Patriot missiles. Is that correct?

Mr. ATWOOD. That is correct.

Senator HARKIN. We know from TV coverage that about 70 Scud missiles have been fired to Saudi Arabia and Israel. Assuming that we fire 2 Patriot missiles at each Scud, we have, so far, consumed about 140 Patriot missiles. I think that is being conservative, because several Scud's fell into the sea and didn't hit Israel. But I am assuming we fired two at each one. That would be 140. If we consumed 140 Patriot missiles, why are you requesting that we build 500 new missiles?

Mr. ATWOOD. This is based upon the inventory level that we anticipated we would need plus the uncertainty when this was put together as to the duration of the war and the magnitude of their effort. They have a lot more Scud's. The concern is that, in fact, he will be using those. We have not been able to knock out his ability on the mobile launch facilities.

Senator HARKIN. Do you believe that he will fire 180 more Scud missiles?

Mr. ATWOOD. I have no idea at this time, but I think it is a lot less likely today than it was 2 days ago.

Senator HARKIN. Let's look at this. Mr. Chairman, we had an inventory of at least 3,800 Patriot missiles. There were 715 to 817 produced each year for the last 5 years. I don't have records before that. The earlier ones don't have the antimissile upgrade, but that is what you have asked for. You have asked for money to upgrade some of them with the PAC-2 modifications.

If we have only used 140 and if we have an inventory of at least 3,800 Patriot missiles, why are we asking for 500 more when we can upgrade the older ones at a much cheaper cost than buying the new ones?

Mr. ATWOOD. I am not familiar with any figure of 3,800. I need to look at that.

Senator HARKIN. 3,800. What is that?

Mr. **Atwood**. 3,800 in the inventory you are talking about.

Senator **Harkin**. You don't know what our inventory is of Patriot missiles?

Mr. **Atwood**. You said 3,800, and I don't recognize any such number as that.

Senator **Harkin**. How many did we produce every year for the last 5 years?

My figures say we produced over 700 for each of the last 5 years.

Mr. **Atwood**. I would have to get back to you. I don't have that at my fingertips.

Senator **Harkin**. Could you get back to the committee on that, please?

Mr. **Atwood**. I will do that.

Senator **Harkin**. I think this is most important. We want to replace the Patriot missiles.

Chairman **Byrd**. You are asking Mr. Atwood: What is the present inventory?

Senator **Harkin**. What is the inventory of the older Patriots without the upgrade? What is the inventory of the new Patriots with the PAC-2 upgrade?

Mr. **Atwood**. And how many of those old ones are we going to upgrade?

Senator **Harkin**. Or are capable of being upgraded? I could be wrong in this. I assume most of them can be upgraded with the PAC-2.

Mr. **Atwood**. I will have to get back to you, and I will, Mr. Chairman.

Chairman **Byrd**. Yes.

Senator **Harkin**. I would appreciate that, because that is a lot of money, and you are asking for 500 new Patriot missiles, but it does not seem as though what we have expended over there would warrant 500 new ones.

Mr. **Atwood**. Again, I repeat, as of the time this was put into being a supplemental, put together, we had no idea, and we don't today; we are still unsure.

Senator **Harkin**. I appreciate that, but we have to operate on a real-time basis here. As chairman of the Education Subcommittee, I am trying to come up with some money for education and now I am looking at $324 million to buy 500 new Patriots that we may not need. Maybe we only need 100 new Patriots.

Mr. **Atwood**. Sure, and there is no intent here to do anything about building up an inventory on any weapons system above that which we would have assuming the normal attrition and assuming the normal drawdown of our troops. So I will get back to you to give you the right figures.

Senator **Harkin**. Come back to the committee on that, because before we pass this supplemental, I want to take a look at this information.

Mr. **Atwood**. Fair enough.

Senator **Harkin**. Thank you.

Mr. **Darman**. Could I just clarify one thing, Senator? We have said again and again the general principle is we are not trying to change the previously planned inventory levels, as a general principle. In this particular case, as Secretary Atwood has suggested, the estimate, as with all of this, was put together while the possibility of ground war, protracted ground war, was still real.

Now, in that context, the No. 500 is entirely reasonable. The thing that makes it a little different than most of the others that were estimated for a full year or on a protected basis is that we proposed to accelerate the purchase of Patriots, and that is why you see them separated out. The reason to accelerate them is that the Scud's are incoming.

Senator **Harkin**. But there is another question you are missing here, Mr. Darman, and that is, if it is cheaper to upgrade the old ones and it is possible to grade them, why not upgrade the older ones rather than buying so many new ones? You may have to buy some new ones. I am not saying you don't have to buy some new ones, but use the older ones with the much cheaper upgrade package, if possible.

Mr. **Darman**. Well, in any case, to try to put the matter toward rest, I think we are agreed on the principle to be applied, and if there are modifications that are necessary, and if, indeed, the war does suddenly clarify favorably in the next some number of days, then, obviously, we would work with the committee on such modifications.

But, I think you will find there will really be a relatively small number of such cases when you go through the data in detail.

Senator **Harkin**. We should also note, Mr. Chairman, that the Patriot production was terminated in the fiscal year 1992 budget.

Mr. **Darman**. Because the inventory was deemed to be adequate.

Senator **Harkin**. I have 3,800. You don't know. But it is somewhere over 3,000.

Mr. **Darman**. But the question that is relevant is how many were going to be depleted in the conflict, and let's say that it is on the order of a couple hundred in that range to date. It did not seem unreasonable to imagine it could rise to 500 over the year, and the procurement was to get it going now.

Senator **Harkin**. I appreciate that, Mr. Darman. You will get back with the new data?

Mr. **Darman**. Yes.

[The information follows:]

QUETIONS SUBMITTED BY SENATOR ORRIN HATCH

Question. How many Patriot missiles were expended during Desert Storm?

Answer. 158 Patriot missiles were expended during Desert Storm.

Question. Given that a conversion from PAC-1 (anti-aircraft) model of the Patriot to the PAC-2 (anti-aircraft/anti-tactical missile) model is much cheaper than procurement of a new PAC-2 missile, why is conversion not being done in lieu of new procurement?

Answer. Conversion of a PAC-1 configuration of the Patriot missile to the PAC-2 configuration costs less than procurement of a new PAC-2 missile. However, there is an overall inventory objective of Patriot missiles that the Army wishes to attain (to include PAC-1 and PAC-2 variants). With the Patriot missile procurement of 817 in fiscal year 1991, the last scheduled procurement for Patriot missiles for the U.S. inventory, the Army would have achieved its current goal. (Based on the Desert Storm experience, this inventory goal is under review and may increase.) Unless the Patriot missiles consumed during Desert Storm are replaced by procurement of new missiles, the Army will be short of its inventory objective of Patriot missiles.

Senator Harkin. Since it was terminated, then perhaps, for those Patriots we have expended, we can upgrade the old Patriot missiles at much less cost than buying the new ones.

Mr. Darman. We will take a look at it.

Senator Harkin. Thank you, Mr. Chairman.

Chairman Byrd. Senator Reid.

Senator Reid. Mr. Darman, we have heard today from some of our colleagues about some ~~of~~ our coalition partners. I certainly believe in burden sharing.

But I think this record should be made complete before the day is over, and the reason I waited around is, I think that we have to recognize the valiant efforts of some of our coalition partners. Great Britain. I don't think enough can be said about Great Britain and what they have done to help in this Middle East conflict. Prior to this conflict, people raised all kinds of questions as to whether France would be involved. They were some of the first ground forces at the front.

Saudi Arabia troops, from all information that I have gotten, have fought valiantly. They have certainly fought their share of the ground war in proportion to the number of people they have in their army.

Their air force has been flying as rapidly and as quickly as ours, and as often. And one of our colleagues, Mr. Chairman, made a statement about Kuwait not having suffered. I cannot believe anything would be said like that. Women raped on an hourly basis. Their country ravaged and pillaged. So I want the record to be clear that at least one Senator recognizes the sacrifices that have been made by the coalition forces. That doesn't take away from the fact that there should be burden sharing.

I have a question in that regard, Mr. Darman. What options are we considering should these contributions not be forthcoming?

Mr. Darman. Should they not be?

Senator Reid. Yes.

Mr. Darman. Should they not be. Well, I just have to repeat: It is my belief that the record to date supports the proposition that they will be forthcoming, and the one conspicuous exception at the moment is Japan.

Senator Reid. You have explained that several times. Other than that——

Mr. Darman. Let me put it another way, then. Let me try to add some small amount to the answer. There will be the issue of the structure of the subsequent peace. The Saudis are going to be importantly concerned about that, the Kuwaitis. Is it plausible that in that circumstance and given what will be the obvious political pressure here if they were failing to fulfill their commitments, is it likely that they would be as satisfied with the way the structure of peace were to be determined, shall we say?

I mean, I don't want to seem to be—it is not my intent to seem to be threatening—but just as a matter of foreign policy and political realism, I think that these commitments being public, having been made by sovereign states at the highest levels, subject only to the exception of Japan's Diet who has not yet confirmed it, that we should assume they will be honored and treat them as if they will be honored, and I believe that will be self-fulfilling.

If we start to legitimize the idea that maybe there ought to be a debate about whether they will be honored, that may be self-fulfilling, although I don't think so. I think they will honor their commitments.

Senator **Reid**. I assume in keeping with statements made by the chairman of this committee and others on the committee that there will be ongoing efforts to get others to do what is deemed by the allies as their fair share.

Mr. **Darman**. Absolutely. There is a footnote there specifically with respect to the UAE with respect to the fact that there are continuing discussions, and speaking at least from the OMB perspective, it is expected that those discussions should produce more than the $2 billion reflected for 1991 and the $1 billion for 1990.

Senator **Reid**. Mr. Chairman, I think the record should also reflect that we have talked about the reparations for Kuwait, Saudi Arabia, perhaps Israel, perhaps Turkey. I think the one thing that we also have to recognize is that we should consider some type of reparations for the environmental warfare conducted by Saddam Hussein.

The damage to the gulf is thought by many experts to be irreparable. There may be certain species of animals that will become extinct as a result of the actions that he took.

It is deemed to be scores of times more damaging than the Alaskan oilspill. The point that I am making, Mr. Chairman, is I think if we are going to look for reparations anyplace, it should be for the environmental terror that he has conducted. It will be decades, if ever, before we can repair that. That is something that I would ask that this administration consider.

Mr. **Darman**. Personally, and I would think the administration—I haven't heard that discussed, but I think it is an entirely fair and reasonable point, Senator, and the burden for that clearly should not be borne by the United States and should be borne in some substantial measure by Iraq.

Senator **Reid**. In the materials we received in support of this supplemental appropriation, I note that there is a request for wear and tear on airplanes. I note that there could be as much as 365,000 hours additional wear and tear on our aircraft. Is that a figure that is in keeping with what you have, Mr. Secretary, give or take?

Mr. **Atwood**. It could well be, yes.

Senator **Reid**. It could well be, but it is significant wear and tear on our equipment. Is that right?

Mr. **Atwood**. That is correct.

Senator **Reid**. Does this take into consideration that if you have a car, you drive it so far, and you can fix it; but there comes a time when it is no longer operable, no matter what you do to it. Is air equipment the same?

Mr. **Atwood**. To a large extent, the demise of air equipment is the result of engines, which can be replaced, or fatigue in the structures.

Senator **Reid**. Which can't be replaced?

Mr. **Atwood**. Well, you can do that. In fact, on one of our airplanes, the A-6, we are going through a rewinging exercise on those. So you can do something.

Senator **Reid**. Does this supplemental take that fact into consideration?

Mr. **Atwood**. We have a factor in there which accounts for the attrition by whatever means of our aircraft, and that amount is included in the amount of the daily rate that we have talked about.

Mr. **Reid**. Mr. Chairman, I have some additional questions. I would ask permission to submit to these witnesses in writing.

Chairman **Byrd**. Senator, all Senators will have some additional questions, and without objection, the additional questions of all Senators, including those of the Senator from Nevada, will be included in the record, and the answers thereto would likewise be included.

Mr. **Darman**. That is fine, Mr. Chairman.

Chairman **Byrd**. Mr. Adams.

Senator **Adams**. Thank you, Mr. Chairman. Mr. Darman, in reading through your statement, the first thing that strikes me of which I have great concern is the paragraph at the bottom of your first page which states that you would "create this fund which would be a working fund that could be moved throughout the Department with only the approval of OMB."

I want to make it very clear at this point that this Senator believes that you should appropriate directly to the accounts. This is a supplemental like any other supplemental as far as the $15 billion is concerned, and for us to turn over to OMB to slide through—and I don't want to use the word "slush fund", because that is not the proper way to approach it, but a fund that has no accounting to it other than within the administration means that the Congress is moved entirely out of the shaping of the sizes of the inventories and the size of the military that will exist after this war.

We accept the statements of Secretary Atwood that we are only going up to levels that were there before. That this is incremental and supplemental, so I would urge you to have us have a $15 billion supplemental of taxpayers' money and second, a defense cooperation fund which can be cleared to the miscellaneous receipts, both of which you know how to handle at OMB, and then we appropriate out of that to the accounts that you have listed on pages 4, 5, and 6 of your statement.

Having said that, and this goes to my second point, it appears to me that you have about 40 billion dollars' worth of expenses that you project. Is that correct?

Mr. **Darman**. Not exactly. There is nearly $40 billion that is specifically identified, plus the incremental costs of combat as defined in the memo.

Senator **Adams**. Absolutely. In other words, you are in that range.

Mr. **Darman**. Specifically identified at the moment is, if you eliminate double counts, about $39 billion and a little.

Senator **Adams**. $39.8 billion I get, but we are about $40 billion.

Mr. **Darman**. Plus the incremental costs of combat.

Senator **Adams**. Yes; but now, if combat is continuing as it is now, and we all pray it is, this intensified combat is over in 2 or 3 days, we are dealing with a figure that is within the amounts that have been promised. In other words, you have in table 1 $53 billion in commitments. You only collected $14 billion. I am not saying that we should not vote through the $15 billion because we don't want to be short of money as we are going along.

But this amount of collection could cover the amounts of the cost of Operation Desert Shield and Desert Storm according to tables 1, 2, and 3; isn't that correct?

Mr. DARMAN. It is possible. Could I clarify something, Senator? There are incremental costs of combat which have already been incurred that are not in the $39.5 billion.

Senator REID. I understand that.

Mr. DARMAN. From January 16 up to the present.

Senator ADAMS. And giving you $14 billion above that as potential.

Mr. DARMAN. Yes; but that——

Senator ADAMS. If you collect.

Mr. DARMAN. But if you look at the range in examples, it is very easy to see how you could consume that $14 billion.

Senator ADAMS. I understand that. I understand that.

Mr. DARMAN. Yes. Yes.

Senator ADAMS. I just want to get to the basic factor of collection, so we give you $15 billion. Now, it may be you have to come up for another. The point I want to make is, the degree to which you do not collect the $53 billion, you have to come back to this committee and the taxpayers, and we pass another supplemental with American taxpayers' money, because we are going to pay for what we use.

Mr. DARMAN. If you had provided the $15 billion——

Senator REID. We will provide the $15 billion, and then——

Mr. DARMAN [continuing]. And if the war were to wind down as it is, as people are——

Senator ADAMS. Hopefully.

Mr. DARMAN [continuing]. Now hoping it may, then it would not likely be necessary if the foreign commitments came in at something close to the $53.5 billion.

Senator ADAMS. Right. That is the point. If they do not come in, then the American taxpayer has to come up with the amount.

Mr. DARMAN. Or additional foreign contributions. The foreign——

Senator ADAMS. Or additional foreign contributions.

Mr. DARMAN [continuing]. Have been solicited on the basis that it was explicit in saying it was only through March 31.

Senator ADAMS. I understand that, and I want to stay with March 31, because we are going to go through this exercise again about March 31 in some fashion, that is, if we keep control over you and there is not this revolving fund that sort of keeps on going.

Mr. DARMAN. Senator, can I say a word on that?

Senator ADAMS. Yes.

Mr. DARMAN. I might say respectfully, sir, you may not intend to be disparaging about that fund, but the tone would seem to lend itself to that interpretation. It is consistent with the way in which the issue was presented in the Washington Post this morning which, in my opinion, is entirely incorrect as to both our intent and what we have said here today.

Senator ADAMS. Mr. Darman, I am a former budget chairman. I was the first budget chairman.

Mr. DARMAN. I know that.

Senator ADAMS. I have a great deal of respect for OMB. I also have a great deal of respect for this committee and for the Congress, and so what I am saying is, I don't want the entire operation left within the administration. It is because during the month this war is over, and hopefully, it will be over soon, there is going to be an awful big debate up here about the shape of the military, the size, how we are going to use it and so on.

I just want to be certain we follow through this process the congressional appropriations system that we have. We can reprogram for you; we can appropriate to your specific accounts that you have here. There are a whole series of ways that we can and that we have done traditionally and can do immediately for you to give you the money. I just don't want it to rotate through the administration.

Mr. DARMAN. I want to let the record be absolutely clear that the premise reported in the Washington Post is totally incorrect, and as I have said several times here this morning—if I could just finish this one point, sir. I would really request it, please. I have said several times here this morning that we would have anticipated, and do to this moment, that if you were inclined to use the approach we recommend, it would be subject to the normal review of transfers and it would, of course, be subject to ordinary accounting and so on and would have to be for the purposes already appropriated, as ultimately approved by you or we would be acting illegally.

So there was no attempt whatsoever to create what you refer to as a, quote, slush fund, and the reason that I am somewhat sensitive——

Senator ADAMS. I don't want you to be terribly sensitive. I didn't read the Washington Post this morning, so I don't know what they said.

Mr. DARMAN. The reason I am concerned about this is we have bent over backward to apply a rigid incremental standard which, frankly, there was no reason to do except honor. The law was general. We had a commitment we had made with Senator Byrd which we are honoring rigidly.

The Defense Department has been held to a standard. Senator Bumpers said, "Bill them while the tears are falling." We could have taken advantage of that moment here, I suspect, but we are not doing so. We are assiduously applying a strict standard to the Department of Defense. They are going along with it very willingly.

Senator ADAMS. I just have a few minutes here. Your immediate statement brings up my next two points that I wanted to make: One is that your collection had better occur now or very promptly while the tears are hot, because once this war is over, collecting from the Japanese and the Germans, in particular, may be very difficult, and I am particularly concerned about the Japanese, because I have looked at that account, and as I understand it, of their aid, nearly all of it is tied aid; in other words, it is tied to the purchase of Japanese products or it is tied to Japanese trade.

Now, you can correct that for me in a minute, Mr. Atwood, if that is not correct, and it receives two-thirds of its oil out of this area. Yet it has only paid $1.3 billion out of $10 billion. So you are $9 billion short out of Japan alone.

There is three countries in this world that owe the United States for past activities: Japan, Korea, and Germany, and they happen to be the three that are shortest on your accounts. So we are hopeful you would account for it.

The second point that you made on the incremental is the second point I want to address. I was one of 22 Senators that wrote to the President, and I am sure it was transmitted to you, because I know that Presidents do this to heads of OMB, about whether there should be aid to Israel because of these Scud missiles falling on it.

We do this in an appropriate fashion that we have been talking about of appropriating to accounts and so on, I can understand what your problem is: You don't want a big lump to count and have some Arab state say they don't want money to go into Israel and a lot of problems like that. But if we appropriate money into accounts, we can appropriate into accounts, take care of emergency or incremental aid.

That definition of incremental aid is one that you have made, as you just stated yourself this moment, much tighter than would otherwise be made.

I am not certain that that is applied correctly when you have a nation that is under attack in the course of our tactics. Many of us said when this started that Israel would be attacked immediately and that there would be real problems of restraint and not having IFF codes go out and a whole bunch of things. So that has happened, so we consider that kind of an incremental part of this war.

I am not at all hostile to your appropriation, your supplemental appropriation, and I will undoubtedly support it, but what I am concerned about is collection from those who have promised while the iron is still hot; second, collection at all from some of our allies who have the greatest stake, and I have used Japan as an example, because it has such a great stake in this area, and an even greater stake since it lost its refinery in Iran, a $2.3 billion refinery, and we went through one other exercise in the gulf that was of assistance to them, and we received nothing out of it.

These countries that I mentioned have an enormous trade balance with us. They could well afford it, and it is a question of the American taxpayer or these countries. We would like to see that collection take place and then to see the accounting so that as we, you on your side and the Congress on its side, prepare for the structure of the military in the future, how big it will be; Senator Harkin said how many of which we can can't follow that, and we can't do that if it is a revolving account.

Thank you, Mr. Chairman.

Chairman Byrd. I thank the Senator. Does either of you wish to respond to Senator Adams? [Laughter.]

COMMITTEE RECESS

Let's break for a little while for lunch and we will come back. There are some additional questions that some Senators probably will want to ask. So let's say we come back at 2:15. Is that fair enough?

Mr. ATWOOD. Right.

Chairman BYRD. Very well. The committee recesses until 2:15 p.m.

[Whereupon, at 1:20 p.m., Tuesday, February 26, the committee was recessed, to reconvene at 2:15 p.m. the same day.]

(Afternoon Session, 2:18 p.m., Thursday, February 26, 1991)

OFFICE OF MANAGEMENT AND BUDGET—Continued

AND

DEPARTMENT OF DEFENSE—Continued

Chairman **Byrd**. The committee will come to order. Mr. Darman or Mr. Atwood, how was the $15 billion figure arrived at?

Mr. **Darman**. Mr. Chairman, I can try to give you an answer to that. The $15 billion figure was originally arrived at before we were even at war. We did an estimate at OMB jointly with the Department of Defense on alternative possible scenarios, including short combat, long combat, no combat, and we put probabilities with each, and we took an expected value, and when we got that expected value, it turned out to be $30 billion, of which we assumed foreign contributions of 50 percent.

Now, almost every assumption made in that exercise was wrong. The foreign contributions have turned out to be higher than 50 percent; the scale of our commitment has turned out to be higher; the costs have turned out to be higher. So when we re-estimated for the second round of solicitations of contributions abroad, we used revised numbers, again, before the combat had started, but with a view of a higher probability of combat at that stage, and our numbers went up. But because we had had better luck with foreign contributions, we raised the portion that we said should be covered by foreign contributions.

So even though the total number went up, we left the U.S. share at $15 billion and simply changed the percentage. It so happens that the actual experience is working out on a basis that it looks like $15 billion may be about the right number, but if it is, it will be because we were lucky.

Chairman **Byrd**. It is my understanding that there was a formula which indicated that Japan should commit 20 percent of the cost; 60 percent should be from the gulf states, 20 percent from the United States and other allies. Was there such a formula? If so, how was it arrived at?

Mr. **Darman**. There may have been such a formula in the mind of some one or two people who were participating in the group talking about what foreign contributions might be. I personally never accepted such a formula as the basis for dividing things up, because I didn't believe and still don't believe that you can set a rigid formula like that because countries' ability to pay is going to change over time, or at least it might seem to change over time. When some were talking about a formula like that, I didn't want to commit to a fixed percentage as a minimum or maximum for any country that would extend beyond March 31. It seemed to me, you want to be in a position to reassess that if we were going to be in a longer, more protracted conflict. So we at least at OMB tried to stay flexible on that point. I know there were some who tried to reduce it to a formula, but I don't think that was—I know it was never accepted by us as the way to analyze it.

Chairman **Byrd**. The UAE has committed for 1990 $1 billion; for 1991, $2 billion; with a footnote saying that an additional amount above the $2 billion is under discussion. That would make a total of $3 billion. How much did we request of the UAE?

Mr. **Darman**. I don't have the number that we actually requested of UAE. I do know from conversations with others that the amount that we have under discussion as an additional contribution, let me say, should more than double the amount that they would have contributed.

Chairman **Byrd**. Should more than double the $3 billion?

Mr. **Darman**. The $3 billion.

Chairman **Byrd**. So it would end up being more than $6 billion?

Mr. **Darman**. This is a matter that is still under discussion. I defer to others if they want to contribute.

Mr. **Atwood**. Without changing anything that Mr. Darman said, I might also go back on the $15 billion, because early on, before conflict started, we were making estimates, and they were truly ballpark estimates of what this could cost us through the fiscal year. And we arrived at a figure that it could be as high as $75 billion. This is before we began to see any of the results of the early on air attack. Out of that, we felt that we should arrive at 20 percent, that we should be participating and the rest we ought to go to our allies for just as we had done in 1990.

Now, it turns out two things were wrong with that assumption: No. 1 is that was an assumption made on a different basis than has ultimately taken place.

No. 2 is that that 80 percent and 20 percent turned out to be less than that. It is about 88 percent in 1990 for the participating countries and about 12 percent for the United States.

So that is how the $15 billion came, and it never got changed; it got factored into it. The third thing that came about is we tried to estimate, in 1990, what our participating countries should be donating, and that is how we arrived at the figures that came out on the Saudi Arabian part, on the Kuwaiti part and on the Japanese, the German and the UAE's. In fact, the Saudi Arabians contributed more than we had even talked about at the time primarily because they were dedicated to host nation support, which was very substantial in 1990, now.

On the other hand, when we talked about 1991, we did a similar exercise but based upon different figures now, so that is how the numbers were arrived at in going to the participating countries for their amount.

Chairman **Byrd**. The Saudis have contributed some $13.5 billion through the first quarter of calendar year 1991. That will be in cash in fuel so that the amount of cash we get will depend upon the amount of the fuel we use. What is your estimate of the amount of cash that we will get from the Saudis over this 3-month period?

Mr. **Atwood**. I don't have that figure on what we would expect over the 3-month period. The $13.5 billion was what they committed to. So far, we have collected about $4.3 billion; $3.6 billion of it is in cash. They continue to pay fuel, and they continue to pay housing and host nation support costs, but I don't have a feel for that. Sean, do you?

Mr. O'Keefe. No.

Chairman **Byrd**. You don't have an estimate right now as to what it is?

Mr. **Atwood**. It is not going to be anything like 30 percent of it or anything like that.

Chairman **Byrd**. The cash will not be?

Mr. **Atwood**. The cash will be. Yes; I say the host nation support will be much smaller this year because they paid for much of the transportation, the getting-set-up housing and so forth, and much of that has gone by.

Chairman **Byrd**. Are you satisfied that the cost of the fuel that we are getting from them represents a fair market price?

Mr. **Atwood**. Yes; in many cases, it is purchased on the open market.

Chairman **Byrd**. What is the value of the Patriot missile batteries and Patriot missile personnel and other costs associated with the transfer of Patriot systems to Israel?

Mr. **Darman**. Chairman Byrd, we are carrying at $117 million, and one thing I cannot account for, but maybe someone else can, is why that is lower than the cost of replacement. Cost of replacement would be about $100 million per; it would be about $200 million. Anyway, we are carrying it, to answer your question, at $117 million, but I better doublecheck and get back to you at how it was valued at as $117 million, because I can see where the value might arguably be higher.

Chairman **Byrd**. What is the cost per battery?

Mr. **Darman**. That is why I am raising a question about my own number. Normally, it is about $100 million per battery. We transferred these two, and they are valued at $117.

Mr. **Atwood**. I don't happen to know the answer.

[The information follows:]

The value of the two Patriot units transferred to Israel last fall under Section 506(l)(a)(l)(1) of the Foreign Assistance Act was $116.2 million or $58.1 million for each battery. These batteries are significantly smaller than the current standard Patriot unit. The transferred batteries each have five launchers and 32 missiles, rather than eight launchers and 64 missiles contained in the standard unit. In keeping with past practice for drawdowns under section 506(l)(a)(l)(1), the batteries were valued at their original purchase cost rather than the current replacement value, which is higher.

Chairman **Byrd**. Did you only transfer two?

Mr. **Darman**. Right.

Chairman **Byrd**. Do you expect to get the batteries back from Israel?

Mr. **Darman**. I will defer that one to the Department of Defense.

Mr. **Atwood**. Certainly, I do. I don't know if anyone else does or not. I think that is something that we have not firmly set in place, but the expectation is that we would get them back when they want it; that is correct.

Chairman BYRD. I suppose my time is about up. Let me ask one question which can be easily answered, I think, with a little prefacing here on my own. America has committed her energy, the cream of her military forces, and has sacrificed in blood and anguish and, as we speak, is continuing that effort, to restore to Kuwait her sovereignty and her government. The Iraquis have visited devastating despair onto Kuwait, and the Kuwaiti Government in exile, it is reported, is prepared to, in turn, roll up its sleeves to rebuild their country. I think America can help in that rebuilding. I think it has earned a priority place in participating in that rebuilding, and I think America should benefit from that rebuilding.

What steps are being taken now with the exiled Government of Kuwait to ensure that American firms will have priority in the rebuilding of Kuwait, and has a task force been established by your Department, the Defense Department, with the Department of Commerce to work with the Government of Kuwait in that regard?

Mr. ATWOOD. It is my understanding that we have American firms already discussing with them the potential contracts for rebuilding Kuwait, that American firms do have a very high priority on their own and within the Kuwaitis' minds, and I understand that they are even in Taif now talking about that now.

Chairman BYRD. You understand what?

Mr. ATWOOD. They are in Taif, where the government in exile is located.

Chairman BYRD. My time is up.

Senator Hatfield.

Senator HATFIELD. I will pass, Mr. Chairman.

Chairman BYRD. Senator Inouye.

Senator INOUYE. The committee is aware that the process to determine the supplemental began before the conflict began, so I am well aware that certain assumptions had to be made. Was one of the assumptions that the war would go beyond March 31?

Mr. DARMAN. It is priced on a basis that is neutral on that question. It doesn't make an assumption one way or the other with respect to the war going beyond March 31.

Senator INOUYE. But at least until the 31st?

Mr. DARMAN. Yes; until the 31st, and to answer a question you didn't ask but that would come to mind immediately, if I might, the March portion of the roughly $40 billion base cost, without combat, is $2.9 billion.

Senator INOUYE. So you may make a change if the war ends this weekend?

Mr. DARMAN. If the war ended this weekend and there were no additional need for military presence and that were true immediately other than the orderly phasedown that we have budgeted for, and the return, then the maximum by which the number should be adjusted would be $2.9 billion. I think that is a very unlikely, almost zero probability scenario, not that the war wouldn't end, but that there would be no military requirement in the weeks ahead. But I will defer to defense on that.

Mr. ATWOOD. No; I think in answer to the first part of your question, did we assume the war would end by March 31, we only discussed with our participating countries our costs through the first 3 months of this year plus any tail-on. We did not discuss with them what happens, but did, in the discussions with the Japanese, say that if it extended or if it was greater, we would be back discussing with them that subject.

Senator INOUYE. The committee is aware that in reaching an agreement with the host nation, Saudi Arabia, it was agreed that Saudi Arabia would pay for all fuel costs in Desert Storm; am I correct?

Mr. ATWOOD. That is not correct. It was that they would pay for that part of it which they got that we asked them to get in Saudi Arabia. The United Arab Emirates were also paying for some, for instance.

Senator INOUYE. Am I correct that as a result of that agreement, the Saudis paid for the fuel costs of our military transport aircraft to Diego Garcia but not beyond that?

Mr. ATWOOD. No; I did not hear that. The Saudis have agreed and are in the process of paying for much of the transportation of the forces which joined after the first 200,000; in other words, the second group of soldiers and Marines who came over after December 1, and they have paid, and that is why their contributions in 1990 were higher than had been anticipated before, because they picked up the transportation costs of the second batch.

Senator INOUYE. I have been advised that the transportation costs, or the fuel costs, for the Civil Reserve Air Fleet aircraft is not covered by this agreement. Am I correct?

Mr. ATWOOD. No; these are the total costs that we, the Department of Defense, incur because of Desert Shield and Desert Storm. They do include the commercial aircraft costs for those airlines that we just leased planes from, such as Flying Tigers, and they do include the cost of CRAF 1 and CRAF 2, the callup of the commercial Reserves. Those are included in our estimate of the costs of Desert Shield and Desert Storm.

Senator INOUYE. I will be submitting a rather detailed question on this, because the information I have received doesn't quite jibe with yours.

In looking over the justification material that you have provided the committee, I get the impression that the Department is paying about $48 per barrel of fuel.

Mr. DARMAN. I can address that.

Mr. ATWOOD. I don't have that.

Mr. DARMAN. I can address that question, Senator. The price that was used in the supplemental for the period October through March was an average price of $44.10, but that is per barrel of refined product. That is not per barrel of crude.

The comparable price that had been in our original budget was $28.14 a barrel, but the actual price, and this is relative to $44.10 in the supplemental, for October it was $45.73, actual; November it was $48.79; December was $49.92; January it was $45.35; but then when we got air superiority it dropped down to $40.38 per barrel as the estimated current price for February, which is not yet over—that may turn out to be lower—and March, $35.

Generally speaking, I think this should be thought of as about $16 a barrel higher than the spot price of crude. What you are looking at here is the retail price of refined.

Mr. O'KEEFE. Plus, Mr. Chairman, if you would, it also includes the cost of fuel facility maintenance, the cost of the operation of the defense fuel supply center. It is a composite rate for a total amount there. The cumulative rate that Director Darman referred to over the period of time, as averaged, the cost has been $47.52 through the end of January, so in a sense, we have been losing a lot relative to the $44 composite rate, because that captures the total expense of running a fuel supply system, if you will.

PREPARED STATEMENT OF SENATOR INOUYE

Senator INOUYE. Mr. Chairman, may I ask that my prepared statement be made part of the record of the hearing?

Chairman BYRD. It will be, Mr. Inouye.

Senator INOUYE. May I also request that several questions of a technical nature be submitted to witnesses for their response?

[The statement follows:]

STATEMENT OF SENATOR DANIEL K. INOUYE

Secretary Cheney, Mr. Darman, it is a pleasure to have you with us today to discuss American military operations in the Middle East. As we meet, reports indicate that the much vaunted Iraqi war machine is being decimated by the combined land, air and sea forces of the United States and its allies. We should all be pleased. The faint light of peace is now visible through the fog of Desert Storm.

With speed, stealth and precision our brave sons and daughters are moving forward into Kuwait and into the heartland of the adversary. Saddam Hussein's battalions are being routed at every turn. His front are surrendering en masse. The brutal aggression which once terrorized the Middle East is being reversed. At last, the liberation of Kuwait is within our grasp. I trust and pray, as do all Americans, that we will soon know total victory, our citizens will come home soon, and the trumpets of war will fall silent over the turbulent Middle East.

Mr. Chairman, these have been difficult months for our nation. Men and women across our great land have been summoned from their private lives to serve the cause of freedom. They have done so in the true spirit of Americans and with the selfless devotion to service characteristic of their ancestors. We are proud of their accomplishments and must do everything in our power to support them during, and after, this ordeal.

Mr. Chairman, today we open a great debate on the future of our military forces and on the price we are prepared to pay to ensure their continued vitality. The successes we enjoy today on the battlefield are the direct result of decisions taken by this Committee in years past. It is an awesome responsibility, yet one we are sworn to carry out.

Once again we must ensure that the weapons systems we choose for our fighting men and women are the best available and that they support policies, not lead them. We must continue to attract the best and brightest of citizens to military service and fund programs which enhance the happiness and quality of life of every member of the armed forces. As leaders, as Americans, we can do nothing less.

Mr. Chairman, I am filled with pride at the accomplishments of our military. Their professionalism, their concern for protecting civilians even in the heat of battle is an inspiration to us all. I hope that as we take up the Department of Defense budget in the months ahead, we will take time to reflect on the important lessons learned from the war in the Gulf.

The measure of a truly great power is the concern it shows for the welfare of each of its soldiers, sailors, airmen and Marines. Surely, that is first among the many lessons learned. One only has to watch Iraq's beleaguered army surrender by the tens-of-thousands, to know this is true.

Mr. Chairman, let us not forget that the decisions we make today, we make for the next generation. It is their security, not ours, which hangs in the balance. How we treat our servicemen and women, how we provide for them both on and off the battlefield, will be the measure of our success. I am confident that, as in the past, this Committee will continue to exercise the seasoned judgment and sensitivity that has contributed so much to our present effort.

Mr. Chairman, thank you.

Chairman **Byrd**. Yes; Senator Inouye, may I say that the Senator from Hawaii, being the chairman of the Appropriations Subcommittee on Defense, I should think, may have a goodly number of questions. I would hope that these questions could be offered as soon as possible on the part of all Senators and that the responses thereto might likewise be retrieved from you, Mr. Darman, and you, Mr. Atwood, or Mr. Cheney, so that we can have those hearings printed. Senator Inouye, I got consent earlier that all questions could be submitted from Senators and that the responses would be included in the record.

Senator **Inouye**. I thank the chairman.

Chairman **Byrd**. I certainly would hope that, Senator Inouye, you and others on the subcommittee and Senator Stevens, being the ranking member, would submit whatever questions you feel are absolutely necessary in order to make clear to the committee and to the subcommittee to your satisfaction that the requests are justified.

Senator Specter, we are back to you again.

Senator **Specter**. Thank you, Mr. Chairman. As I listened to your testimony this morning and this afternoon, I have very grave concerns that the United States is going to be adequately compensated by the other countries who ought to be making allocations. I am concerned as to the sufficiency of the commitments, the sufficiency of the payments and the sufficiency of our definition of the scope of war costs, and I would start off by a concern about an accuracy of definition.

When you talk about a total of payments and commitments of $53.5 billion, you have a $9 billion figure, which is not a commitment at all, and you have it listed under the category of commitments. You have to read the footnotes that it is a $9 billion commitment by Japan. You say it is a commitment, but when you read the footnote, "Under consideration by Diet," what is the value of that $9 billion commitment?

Mr. Darman, you are a fiscal expert. What would you pay for it?

Mr. **Darman**. Let me first say, Senator, that that commitment has been made publicly by the Prime Minister of Japan and the Finance Minister of Japan. What has not happened is the Diet has not appropriated it, and it is not as if there is no Japanese Government official who has publicly stated $9 billion. There is no higher than the Prime Minister and the Finance Minister; they both publicly committed to the $9 billion.

As to the expected value, I would only repeat what I said earlier. The range in which I have understood the Diet to be considering it seems to hover around $9 billion, total, with some question as to how much would actually go to the United States, and the range, as I understand that they have been discussing—this is independently of the question of the Prime Minister and the Finance Minister—is something over $8 billion to $9 billion.

So it would be in the over $8 billion. I don't know what they mean by over $8 billion, something over $8 billion to $9 billion.

Senator **Specter**. Mr. Darman, when you say you don't know what they mean, I don't know what is meant at all. I read the press reports about the reluctance of the Japanese Diet to appropriate the money, and I have seen our extensive dealings with the

Japanese on other subjects, and I don't think that is a very solid figure.

When I talk about sufficiency of the commitments, it seems to me that the United States ought to have the entire cost of this war paid for by others because of the tremendous costs which we have borne by way of loss of life and casualties and national trauma.

I am concerned; when we add up all the costs, we say $40 billion of incremental costs, but we don't know the costs of the combat itself. I believe that the relevant questions—and I have been trying to get answers to these—are: What are the assets of Saudi Arabia? What are the assets of Kuwait? What are the assets of the other gulf states?

I don't see other gulf states on this list at all. I have been doing some legal research in international law, and one analogy is to the law of the sea in finding a merchant vessel which has sunk, and the value which the rescuer can claim that can be very substantial, a pretty high percentage, perhaps as high as 30 percent or more. I don't know that the analogy is apt, but we have a nation here, Kuwait, which has enormous amounts of cash; I have seen figures as high as $200 billion in banks, and they have enormous oil reserves, and fair is fair. I am wondering what a fair amount for them to pay is. When I take a look at their payments and pledge, $13.5 billion seems to me to be too small. There also remains the question about sufficiency in payments, which I started on that this morning.

It is much easier to collect when the iron is hot and when people are really concerned about the outcome than it is to collect at a later time. When we talk about putting up $15 billion by the U.S. Government from our appropriation process, we are not going to respond like the Japanese Diet does; you can be sure of that.

But it seems to me those payments ought to be more. Let me ask you about the scope of the war costs, and I would inquire as to whether our war costs include payments to soldiers, sailors, other military personnel, who have been injured as a result of the war and the costs which the U.S. Government will have to undertake. Are those costs included?

Mr. DARMAN. If you mean the direct costs of medical expenses immediately incurred, those would be reflected in the medical, but if you mean future benefits like disability, the answer is no. Those are not in these estimates.

Senator SPECTER. I have a real question in my mind about that, and if I could attract the attention of the chairman on this question, we have a concern about costs to be paid in the supplemental. There is also a debate as to whether these are costs from the war or are we going to handle them under the budget agreement. The question is whether it is going to be from the Department of Defense or whether it is going to be from the Veterans Affairs Committee.

I have been intimately involved in that as ranking member of the Veterans Affairs Committee, and the chairman has been very concerned, properly so, that we don't break the budget agreement. I have done a considerable amount of work in the legal damage field as to what direct costs are, and if you just take one cost about disability payments for a soldier who is disabled in the gulf war any court in the land would say that is a direct cost.

These are moneys which are going to have to be paid by the U.S. Government and I would like to see this in the total. I would like to make an effort to collect it from Saudi Arabia and from the United Arab Emirates and from Kuwait and even the Japanese Diet. Why should we not be including these as direct costs of this war and trying to get others who really are the principal beneficiaries to pay it?

Mr. **DARMAN**. Let me try to answer this way, Senator. There is a distinction that needs to be made, I believe, between what we are requesting in the supplemental and defining incremental costs for purposes of this supplemental, and what you might define as the total incremental costs of the war.

The incremental costs of this supplemental are only discretionary costs. We have attempted to include all of the discretionary costs that could reasonably be considered incremental.

But what you are referring to would be, in U.S. budgetary terms, a mandatory cost. It would be the cost of a future mandatory benefit payment. It does not involve the change of law. There would be no need to offset it in the Congress. There would be no need to take any action whatsoever to be sure that it is paid.

Senator **SPECTER**. Thank you, Mr. Darman. Mandatory, discretionary, incremental. They are going to have to be paid.

Chairman **BYRD**. Let him finish.

Mr. **DARMAN**. If I could finish the thought, you have what I think is a valid point with respect to the definition of the total incremental costs as they might sensibly be understood for purposes of soliciting foreign contributions. I think there is a distinction.

For our purpose here, we are talking about the discretionary costs. What you are talking about, in addition, would be a mandatory cost. For purposes of coming up with a fair calculation to discuss with foreigners, it would not be unreasonable to include that number in the calculation, in my opinion.

Senator **SPECTER**. If I may pursue one other line, when my time expired this morning, Mr. Atwood had commented in dealing with some of the costs of the front line countries that we were dealing only with the costs to the United States. I had asked about Egypt, and then you had brought up Jordan and Turkey, and then I had asked about Israel.

There is considerable interest on the committee and in the Senate and the House, too, about payment to Israel of $1 billion in incremental costs. It seems to me that that is a direct result of the war. It couldn't be any more direct. These are not damages to Israeli homes or loss of life or injuries; this is the incremental cost Israel has sustained in waging the war in collaborating with the United States, maintaining a low profile, not retaliating, but these are their war costs.

Now, we are going to face a situation where we are going to have to, if we are going to make that allocation, pay it out of DOD funds or the foreign operations budget. Also, when we talk about war costs which are going to come from other contributing countries, it seems to me this is the time to think about it, especially in the context where we have other Arab countries saying they won't pay the front line countries if Israel is involved. This is the time for leadership by the United States to say to these other Arab countries, Saudi Arabia and Kuwait and others considering Israel's contribution, "This ought to be a calculated cost that you folks ought to bear." The United States ought not to pay, in some collateral way, but it certainly is going to be a cost to the United States, and I submit we ought to figure it into the costs in this calculation.

Mr. ATWOOD. May I comment on that, Mr. Chairman?

Chairman BYRD. Yes.

Mr. ATWOOD. What we in the Department of Defense have provided is the cost to our Department of Defense of conducting Desert Shield and Desert Storm, and that does not include those costs that may be incurred by any other country, whether it be the United Kingdom or France or Israel or whoever it is.

The State Department and the Treasury Department have taken a separate approach as to how they compensate those countries, front line countries who are being impacted by it, but there are two separate approaches to it, and all we are dealing with and all this supplemental deals with is the cost to the Department of Defense for that action.

Mr. DARMAN. Could I add one word, Mr. Chairman?

Chairman BYRD. Yes.

Mr. DARMAN. Senator Specter, what Secretary Atwood said is also consistent with the budget agreement and law as we understood it in its application to this supplemental.

But a second point I better clarify from this morning, I thought maybe this morning I should clarify it, but I didn't, but you repeated this point. I did not mean to say, and I hope I didn't say, but in any case, if I did, I didn't mean to say that Arab countries wouldn't pay to other front line nations if Israel were included. What I meant to say was, and I thought I did say, was that the group involved would not function well if issues that would divide the group were made in order.

To pick another example, assistance to the PLO. If that were thrown into the debate among the Gulf Financial Coordinating Committee, then there would be objections from the United States to the discussion of that issue in that context, and so certain issues, as I understand it, were put aside in order that the group could work cooperatively on the things that they agreed on.

Chairman BYRD. Senator Domenici.

Senator DOMENICI. Mr. Chairman, I have missed a lot of what I am hopeful is constructive discussion, but I wanted to ask the Director and Secretary just a couple of questions.

This morning I asked you this: You are not changing policy, defense policy in the setting up of this fund and disbursing it to the line item parts of our defense budget as accurately as you can within the definition of incremental, and you said no, you weren't changing policy.

Mr. ATWOOD. That is right.

Senator DOMENICI. I have read your narratives and the efforts you have gone through and a few examples, and I think you are really trying very hard not to change policy. But I wonder when you seek to replenish or replace an F-16, I guess at least one crashed, right, and was destroyed?

Mr. **Atwood**. Yes.

Senator **Domenici**. As I take it, you would look at its replacement—I assume we still have a line—and say, "What is the incremental cost chargeable to its destruction?" And if the F-16 and the Defense Department was going to come down anyway, you would begin to look at whether you should charge for the cost of its destruction in total or not.

Mr. **Atwood**. Correct.

Senator **Domenici**. Then you might even end up charging a portion of it, depending upon how these numbers worked out. But are you not, in part of that, and I just want to make sure I understand, aren't you looking at a 4-year defense proposal as determined in the budget resolution rather than current policy?

Mr. **Atwood**. Correct. We are looking at the normal inventory position, if you will, of the F-16, and even though there is no Desert Storm or Desert Shield, there is an attrition on the F-16's.

No. 1, it may be that one every 2 years is lost in training or something like that; or, No. 2, it could be that over this next 5-year period, as we take down the tactical airwings, that we would be taking out F-16's.

So, based upon those two factors, there will be some attrition, and would there be a takedown of the F-16's would determine whether we should replace them or not.

Senator **Domenici**. On personnel, I gather that what you are doing there, for example, for Reservists, is rather easy. I assume you had a cost of the Reservists before Desert Shield, you have a cost of the Reservists now, and you calculate the difference between the two and this fund has to pay. Is that correct?

Mr. **Atwood**. Exactly. That is correct.

Senator **Domenici**. But I wonder when you get to other things that are a little more difficult than personnel like bombs and rockets and the like where you had a great big inventory; you are going to have a much lesser inventory when you finish. It means you used a lot of them, but in some instances are you going to conclude that you weren't going to fill the inventory right back up where it was?

Mr. **Atwood**. That is correct.

Senator **Domenici**. What do you do with that?

Mr. **Atwood**. That comes about by virtue of the fact that over a period of time, you do have practice firings. So your inventory would be coming down as you do practice firing, as you do training. I cannot hold Desert Shield or Desert Storm responsible for every single Tomahawk that is fired, if, in fact, over this period of time we were going to do training and fire them.

Therefore, we look at the difference.

Senator **Domenici**. Let me just give you a hypothetical since I am not very familiar with the systems yet. I have not been on this subcommittee very long, so I don't know very much about it.

What happens, if, in fact, you wanted in the next 4 or 5 years to have less of one kind of weapon and more of another? I am sure I wouldn't want us to use this to force you to take something you didn't want back up where it was——

Mr. **Atwood**. That is correct.

Senator **Domenici** [continuing]. If, indeed, you were planning to have something different.

Mr. **Atwood**. That is correct.

Senator **Domenici**. Better, perhaps?

Mr. **Atwood**. That is correct.

Senator **Domenici**. Maybe even you found in the new Army we are going to have, the new military we were going to have, you did not quite have as many of that kind of thing. How are you going to handle that kind of thing?

Mr. **Atwood**. Let me take a for instance, and I used one this morning, the F-15. We have some F-15C's.

Senator **Domenici**. Could you use a ground-based weapon system as an example?

Mr. **Atwood**. Tanks?

Senator **Domenici**. Fine. Take a tank or take any of our missiles that we have seen destroyed or expended. Take one of those.

Mr. **Atwood**. Take the M-1 tank.

Senator **Domenici**. OK.

Mr. **Atwood**. The M-1 tank. We stopped production of the M-1 tank after 1991 or into 1992. There are two different models of the M-1 tank. There is the M-1, and then there is the M-1A1, which is an updated version of it.

Certainly, if we lose some of the older versions of it, I would not want nor would you want us to replace the older version; you would want us to replace the newer one, and that is the approach we will take.

Senator **Domenici**. My last question has to do with what this bill is going to look like. As I understand it, you have currently established a huge list encapsulated in many pages of the items that you have estimated under your incremental approach.

Mr. **Atwood**. Yes.

Senator **Domenici**. If they fit in a category, you pooled them together, and you said, "We have got to add $500 million to this kind." Right?

Mr. **Atwood**. Yes.

Senator **Domenici**. We will not, once we pass the bill as you have given it to us, we will not be looking at the details later, will we? We will have to trust—and I am not arguing this point. I just want to know how it is going to work—you and Mr. Darman, his Department, to make sure you are spending it for the right thing, but will there be regular surveillance to see that, indeed, our incremental is right? We have the right incremental definition. Will we do both?

Mr. **Atwood**. We will do both. No. 1, there is legislation pending, I understand, in the Senate and in the House which would require that we provide an accounting of this on a periodic basis.

Mr. **Darman**. Monthly.

Mr. **Atwood**. Is it monthly?

Mr. **Darman**. As drafted, it is monthly.

Senator **Domenici**. Part of this bill or another bill?

Mr. **Darman**. If I could interrupt?

Senator **Domenici**. Sure.

Mr. **Darman**. I don't believe the bill has actually moved to the Senate yet. There are variations of it around. The bill has moved through the House.

Senator DOMENICI. The Panetta bill. I am familiar with that.

Mr. DARMAN. The Schumer-Panetta bill as modified, and it has been very substantially modified, with two minor drafting changes, we could accept that, and we also informed Chairman Byrd and the committee that we would not be adverse to having that version included in this bill, if that is what this committee's disposition were.

We don't want to leave it at just the reporting. We are also subject to to the extent that there are transfers involved, there is a standard procedure——

Senator DOMENICI. For transfers.

Mr. DARMAN [continuing]. Associated with transfers, whereby the committees are informed, and then, of course, there is an ex-postaudit provision, as always, so that we are subject to all of the normal constraints. We cannot spend money on purposes that are not legal and, indeed, there are criminal penalties for so doing.

Senator DOMENICI. Mr. Darman, you know that I never ask questions assuming that people that work for the U.S. Government such as you are going to do anything intentional that is wrong. I am more concerned about the arguments against this than I am, because I think some are going to argue against it, that we give you too much latitude, and it is that that I am trying to direct to make sure that we are not giving you as much latitude as some people think. We are providing a mechanism to get it done in an orderly way. So let me ask one more time: Is not it possible that as you take another look, moving down the line in 2 or 3 months, that you will find in some of the categories that your definition of incremental is wrong?

Mr. ATWOOD. Yes.

Senator DOMENICI. I would think it has to be the case.

Mr. ATWOOD. Yes; because the incremental could be wrong in terms of what we are losing, and the estimates that we have made are based on very early evidence, and those could be in error, and no doubt, are in error as we go on into the struggle.

It could be that this is over in a very short period of time, whereas we anticipated in the numbers we have given you that would probably occur on through March 31.

Senator DOMENICI. To the extent that it might be in error, do I understand correctly that it would kind of be self-fixing? It would fix itself, because that last one of yours, you would finally end up defining it right, would you not?

Mr. ATWOOD. We would fix it.

Senator DOMENICI. Eventually?

Mr. ATWOOD. Yes.

Senator DOMENICI. I have no further questions.

Mr. DARMAN. And it would have to be, at least as I understand it, because the money is only eligible to be transferred for incremental costs. If, upon examination, the actual incremental costs turn out to be different than estimated, that does not mean you are giving a blank check, as we have proposed it, to nonetheless spend the money. You can't. You can only spend the money on incremental costs as they are actually determined to be.

Senator DOMENICI. Thank you very much, Mr. Chairman.

Chairman BYRD. Thank you, Senator.

Mr. Darman, Mr. Atwood, you have been very patient and we won't be much longer, but we will begin another round. You answered my question earlier with respect to our attempting to ensure that American firms will have priority in the rebuilding of Kuwait. But while we may, understand it, United States firms are discussing, as I believe you indicated, this with Kuwait, is the administration working with the Kuwaitis to ensure that American firms will have some priority in getting contracts?

Mr. Atwood. I am not aware that we are working with the Kuwaitis, Senator. I believe, and do, in many cases, in my travels in talking to other countries, make sure that the best advantages that the American products are made known to them. I have done that in Europe; I have done that in Japan; and I have done that in Korea, and we clearly should be doing that as we proceed. But at this moment, I don't know of any actions by the Department of Defense.

Chairman Byrd. It would seem to me that America would certainly be entitled to some priority over the Germans, over the Japanese, over the others who have not committed men and blood in this conflict. It seems to me that we would be entitled to some priority in that regard.

I would hope that the administration would establish a task force within the Department of Defense to work with the Department of Commerce to, in turn, work with the Kuwaiti Government in that regard.

Mr. Atwood. Could I look into it and, rather than having me give you an off-the-top-of-my-head answer, get back to you, Mr. Chairman?

Chairman Byrd. Yes; certainly. You might supply your answer for the record.

Some reference has already been made to the cost of veterans benefits, but I don't think in the context in which I am going to ask this question. I see this as a critical component of the costs of the war, the long-term cost of care for our returning veterans.

Understand there are many variables, and much depends on the course of the war and the number of casualties, but some benefits, such as medical care for nonservice connected illness and pensions, to a certain percentage of this large new pool of veterans, will apply regardless of these factors.

Do we have any idea of what the real cost to the United States will be over the next 70 years? Perhaps you don't at this point, because it appears that the pace of the action has quickened. But was there any attempt made to factor the cost of caring for these men and women into the total estimate of the war as we solicited contributions from our allies?

For example, in fiscal year 1991, appropriations for the compensation program, we have $86,435,000 for World War I veterans. Now, I was born in World War I and I am 73 years old and there are still compensation benefits to the tune of $86 million for World War I veterans, which would indicate perhaps that they may be in their nineties, but there are some still around.

As for appropriations for veterans pensions for fiscal year 1991, $527,295,000,000 for World War I veterans and so on. So what I am saying is that if the war were to end tomorrow, we are going to be paying some of these benefits for the next 70 years, if we let the lamp of experience be a guide unto our feet, certainly for a long time to come. So, this causes me to ask the question: Did you make any attempt to factor in this cost?

Mr. **Atwood**. May I take two parts to it, Mr. Chairman?

Chairman **Byrd**. Yes.

Mr. **Atwood**. The second part, which is the normal retirement plan, is something that is a part of the cost of each individual military person. That is something that we pay each month. I believe it goes into a fund within Treasury for retirement. That is something that is there whether we are in Desert Shield or not. The normal pension retirements are there.

I think you are bringing up questioning about medical benefits, which I believe belong to the Veterans Administration, if I am not mistaken.

So we did not, within DOD.

Chairman **Byrd**. Mr. Darman?

Mr. **Darman**. Mr. Chairman, the answer to your question: Were these specific costs included in the determination of how much the total bills should be for purposes of charging foreigners?

Chairman **Byrd**. Yes. Yes; was any thought given to factoring in those costs? We will be paying those costs when the foreign countries have long ago forgotten about this war.

Mr. **Darman**. Yes; some thought was given to that. Our estimates were very rough, ballpark estimates, and the number which is most significant with respect to those costs, I believe, is the casualty number, and we had enormous uncertainty as to what would be the casualty number, and we had no way of pinning it down reliably, and to be completely open about it, we did not want to put in a number that tried to prejudge the casualty issue one way or another.

If we had come in with a very low number, people would have said, that is impossible, unrealistic, ridiculous and so on. If we had come in with a high number, we would have been either forecasting a type of war we did not want to tip our hand on or we would have been making a type of politically loaded statement we wouldn't wish to make.

So it really turns on the casualty numbers, and I think that if we are fortunate enough to have this war end in the way that it looks as if it may—unless something has happened while we have been sitting here. Any news?

Mr. **Atwood**. No.

Mr. **Darman** [continuing]. With regrettable casualties, but much, much lower than many people thought, I don't think that will turn out to be a significant number.

Chairman **Byrd**. I think, and I hope that you are right, but even if it is one, it is, as you have indicated, regrettable. But this is one of the hidden costs that may not occur to our allies who have made these commitments, and as it is indicated by the recent turns of events, that perhaps the costs may not be so great, but it could have been otherwise. But in any event, it is going to be something. This Government is going to be paying for 50, 60, 70 years.

It seems to me it emphasizes the rightness and the necessity of the allies showing down with their money on the barrelhead to carry out their commitments.

Fuel costs make up a significant portion of the total costs of Desert Shield/Storm, yet these costs, like airlift and sealift costs, are difficult to pin down because of the trouble in distinguishing incremental costs versus mandated costs. The committee must be sure of how DOD determined what the incremental fuel costs of Desert Shield/Storm are and who is covering these costs. Page 9 of the justification material submitted with the supplemental indicates the funding of $2.8 billion is requested to cover increased fuel prices for all of DOD's planned fiscal year 1991 purchases of fuel, other than fuel for use by our forces in the gulf.

Thus, our forces in the United States and, say, Japan and Germany would receive funds from the supplemental appropriation to pay for fuel costs even though they are not actively participating in Desert Shield activities. Is that an accurate assessment?

Mr. ATWOOD. As far as we are concerned, if I am looking at page 9, Mr. Chairman, the transportation costs under operations and maintenance and the fuel price increase cost at the bottom reflect our best estimates while Desert Shield is in place but does not include the costs associated with combat.

And this is for the full fiscal year, I might add.

Chairman BYRD. Our forces in the United States and in Japan and Germany would receive funds from this supplemental appropriation to pay fuel costs.

Mr. DARMAN. Senator, could I take a crack at this one?

Mr. ATWOOD. Go ahead.

Mr. DARMAN. Senator, not only on that page, but several other pages, routinely, you will see two entries, one having to do with the incremental costs in theater, and the other being incremental fuel costs for the rest of DOD operations.

It is the second one which I believe you are asking about, and the answer is: A portion of the fuel costs for nontheater DOD activities would be classified as incremental costs of Desert Shield, and the reasoning is simply that that portion, the increase above what was already in the budget for that fuel, we are saying is strictly a result of Iraqi invasion and the associated Desert Shield activity.

I think this one, Mr. Chairman, is arguable. I think you could argue the other side of this one, but this one, in a sense, if you took this one out and you put the retirement one in and so on, for purposes at least of coming up with the total tally of what is the cost, what we should think of as the fair incremental costs, it is going to turn out to be about the same number.

In any case, this is an incremental cost to DOD, inescapably, and it is a real cost. The price has gone up. We are only charging for the amount by which it has gone up, and we are saying, "What is the reason it has gone up?" The reason it has gone up is Saddam Hussein invaded Kuwait.

Chairman BYRD. My time is up, but I will come back to this, probably, because I am wondering if we are treating other non-DOD agencies in the same way. Aren't they going to have to absorb the additional costs of fuel in fiscal year 1991 that have resulted from just what you have said, and that is Mr. Saddam Hussein?

Senator Hatfield?

Senator **Hatfield**. No.

Chairman **Byrd**. Senator Inouye?

Senator **Inouye**. No.

Chairman **Byrd**. Senator Domenici?

Senator **Domenici**. I would just ask this: The chairman asked the question about other departments, and it may be true, but as I take it, the proposal before us is defined by the budget summit as being those discretionary costs related to the Department of Defense. Is that correct?

Mr. **Darman**. That is our understanding, yes, and the statute specifically refers to the defense cap and the defense appropriations.

Senator **Domenici**. I have no other questions, Mr. Chairman. Thank you.

Chairman **Byrd**. I believe that the bottom line here may be that the $15 billion figure is an estimate. That amount of American tax dollars might, in fact, not be necessary if the war winds down rather quickly now, as it appears that it might.

I believe that we have a little better opportunity, therefore, in view of your indication earlier today, Mr. Darman, that there will be no cash flow problem before the middle of April or first of May. We may be able to get a better idea of the costs of the war and the cash that we will have on hand from foreign contributions to defray these costs, because we have still got some time.

It may be well that we will not need to appropriate the entire $15 billion, and we might have a better handle on that in a few weeks. So it may be very well that we would have to have you gentlemen back before the committee before we mark up the bill so that we can have a truer estimate based on facts as they will develop over the next several days.

In the meantime, I would like to explore some language with you that could be placed in the supplemental which would provide assurance that the American tax dollars we do finally appropriate are not expended as a matter of first resort but, rather, as a last resort by drawing from foreign contributions first.

The United States has made a huge contribution for this effort, both in-kind and in cash, as well as in the preeminently excellent leadership that we have given in the actions of the United Nations and in the conduct of the war and in the steadfastness with which the President has withstood the glittering gewgaws of the Hussein proposal worked out in Moscow to close off things somewhat prematurely.

So the United States has provided that leadership; it has provided most of the manpower, and it has made tremendous contributions in all these respects. It has demonstrated the kind of national leadership that gives us some greater hope for our future.

So I just want to do everything possible to keep from asking the American taxpayers to pay one cent more than is absolutely necessary. I think your testimony today has been very useful, and I want to thank you for your splendid cooperation. I have never found it to be anything other than splendid, Mr. Darman.

Mr. **Darman**. Mr. Chairman.

Chairman **Byrd**. I had hoped that Secretary Cheney could be here. I very well understand why he could not be, and his prepared statement will appear in the record in its entirety. I know that the demands on him at this moment are physically and mentally very, very heavy.

So it may very well be that we would still want to have another hearing so that we can all have a better understanding of what the true justifications are, what the needs are for American dollars as we get closer to the point of having to pass the legislation. We may have to ask you to come back before the committee for further testimony, and that way you would have a better idea of what the combat costs have been, what the level of foreign contributions have been, what the level of receipts have been through March 31, and whether we can lower, then, the U.S. contribution.

I would hope to have Secretary Baker before the committee prior to the markup, because I think his testimony would be invaluable to the committee, and I think that it would be helpful to him if he could have the reaction of the committee members to the situation as it then pertains concerning the contribution. I think he has done an excellent job as well in getting the commitments.

But in getting the commitments, we have just gone halfway. Unless any other member has any further comment or questions.

Senator Hatfield.

Senator **Hatfield**. Nothing.

Chairman **Byrd**. Senator Domenici?

Senator **Domenici**. Mr. Chairman, I don't, other than to comment on what I heard about American contractors and the rebuilding of Kuwait. I don't vouch for this, but I heard a story on the radio that the contractors in England were complaining that the American contractors were getting all the work, and I don't know what that means. I just wanted to pass it on to you. I can't imagine there is any work yet unless they are over there as part of the war, but I understand that is what they were saying.

Chairman **Byrd**. Mr. Darman, what you have said with respect to the word "incremental" and the word "emergency" has been very helpful today. There will be members, as I say, and we will probably have a chance to go over this again as we get nearer to the markup. I think it would be helpful to you and to all of those in the administration, as well as to us, but there will be those on this side of the table who will be hopeful in getting amendments added to the bill.

I think it is very important that everybody understands what the word "incremental" means and what happens if, for example, a foreign aid amendment comes in to the tune of $1 billion or $2 billion or whatever it may be and it is adopted, and the President does not think it is incremental. Or if there is a sequester as a result of that amendment, if it is in the form of a foreign aid amendment, what category pays for that sequester? Or if it is a mandatory item, what category pays?

Would you care to elucidate now or would you want to submit something in writing?

Mr. **Darman**. I could give a short answer now if you would like, Senator Byrd. If you want more, I could provide it writing.

Chairman Byrd. Very well. I think anything that you can tell us would be helpful, because there were those of us who were at the summit, and we feel strongly that we entered into an agreement. We ought to do our best to honor it, and there are so many of us who were not at the summit, and for their edification, perhaps whatever you would have to say at this moment might save us all travail and argumentation on the floor.

Mr. Darman. Thank you, Mr. Chairman.

If there is an amendment adopted that would not qualify for one of the two exemptions that were provided for that would relate to this in the budget agreement, then broadly speaking, the following would obtain: If it were an expenditure from an appropriated account in 150 and it were not offset and the result of the amendment were, then, to breach the cap, there would be an across-the-board cut in whatever percentage amount is necessary to bring total spending in 150 back to the cap. So it would be an exact across-the-board hit in percentage terms on everything that is funded by 150 for any amendment that breaches the cap of 150.

Then if there were a comparable problem in either the defense area or domestic discretionary spending, the same rules would apply except they would apply respectively to defense or to domestic discretionary.

If the amendment were a change in law in a mandatory program and it were not paid for under the pay-as-you-go system, then that would trigger a sequester from mandatory accounts, so while that particular amendment might be funded, Medicare, for example, would be cut, as would other mandatory programs that are subject to the sequester and in the mandatory area. That is it in a nutshell. If it would be useful to provide a memorandum, I would be happy to do so.

[The information follows:]

Definition of "Incremental" Cost

The "Desert Shield" exemption applies to the costs of Operation Desert Shield (including Operation Desert Storm). Those costs are defined as "those incremental costs associated with the increase in operations in the Middle East * * *." Section 251(b)(2)(D)(ii) of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended by the Budget Enforcement Act of 1990.

The exemption states that these costs "are to be treated as emergency funding requirements not subject to the defense spending limits."

The exemption provides that the incremental costs to which it applies "do not include costs that would be experienced by the Department of Defense as part of its normal operations absent Operation Desert Shield."

Under these provisions, "incremental" means "increased"—the increased or added amount above the normal or base level that would otherwise be incurred or experienced.

Under this definition: all increases are eligible for inclusion—no increased elements are excluded by the concept of "incremental"; an increase is a change above a base level, meaning the amount by which the actual level is above the normal or base level that would otherwise occur; and an increment may be composed of both increases and decreases—it is the net increased amount.

Senator Inouye. Any further questions?

Senator Domenici.

Senator Domenici. Are we ready to go? If I don't say anything, are we going to quit? [Laughter.]

Senator Inouye. No; the chairman is on a very important telephone call.

Senator **Domenici**. Let me just ask this: Do you know whether or not under defense, using your explanation, assume we have an overage over the cap, do we cut personnel now, or has that been changed? I mean proportionately. You know, we did before, excepting the President could exempt it. Does the minisequester get personnel or not?

Mr. **Darman**. Minisequester would get personnel, I believe. If it is an end-of-year sequester, I think we could invoke the authority to exempt personnel.

Senator **Domenici**. I think that is right.

Mr. **Darman**. It would depend on the timing of the action. If I may say, we would like perhaps somewhat more prompt action than I was beginning to get the feeling Senator Byrd was thinking about.

Senator **Hatfield**. Mr. Chairman, I wonder if Mr. Darman would submit that to the committee in writing.

Mr. **Darman**. Yes; in fact, I better.

Senator **Hatfield**. If Mr. Darman could submit that to the committee in writing?

Mr. **Darman**. Yes; in fact, I better make clear, Senator Hatfield, that that is my off the top of the head opinion, and there is a correct legal answer that I better make sure is correct.

Senator **Hatfield**. And you will submit it?

Mr. **Darman**. Yes; and he will submit it.

[The information follows:]

MINISEQUESTER

The Budget Enforcement Act provides that by August 10th of each year, the President must notify the Congress if he plans to exempt military personnel from a sequester in the subsequent fiscal year. Whatever determination he makes in this report to the Congress, applies in any sequester for that fiscal year. Such an exemption was made for fiscal year 1991.

Mr. **Atwood**. May I take a moment to reply?

Senator **Inouye**. Mr. Secretary.

Mr. **Atwood**. One of the things that does concern me is that we are going along on a Food and Forage Act while at the same time berating our participating countries to get moving in doing this, and I would think we might be setting a bad example if we don't take action ourselves.

One of the things that is very apparent is, No. 1, we do not have access to their money, so there is no reason for them to put money in except that it would bear interest in Treasury, but we can't spend that money. Without a supplemental, that money is held in escrow.

Second, without our doing anything and going along on our Food and Forage Act, it is just, in a sense, robbing Peter to pay Paul, because we are spending money out of the accounts that are for other things down the line and then it is going to be an accounting problem to try to resurrect all that. So I urge that we consider seriously moving fairly rapidly on this supplemental.

Senator **Inouye**. The committee is aware of that, but we also have our responsibility, as you are aware, of considering and studying your proposal with the greatest of care. I am sure I speak for the chairman and all the rest of us. We will do everything we can to expedite it.

Mr. DARMAN. Could I have one word, Senator?

Senator INOUYE [presiding]. I have been requested by the chairman to recess this hearing with the gratitude of the committee.

Senator HATFIELD. I think there was a request to make one more comment.

Senator INOUYE. Please. I am sorry.

Mr. DARMAN. Thank you very much, Senator Inouye.

Senator INOUYE. You just don't want to end this?

Mr. DARMAN. No; I would like to, but on this same point about the timeliness of the supplemental, I would like to repeat, if there is a better way to accomplish our mutual interests than "Working capital" account, that is a nonissue, as far as I am concerned. We should sort it out in whatever way we will accomplish our mutual objectives. I take our objectives to be almost exactly the same. I want that.

That said, I would just like to restate one value of the "Working capital" account, as it was intended, and maybe it can be achieved by other means. It was a way of allowing us to go ahead and get some of this money committed up front so it can be allocated to defense accounts so we can plan and manage sensibly and at the same time reserve against the possibility that foreign contributions will be sufficient so that you would not have needed that account except for it is tied into the overall category. That is why we structured it so it would be replenished, and if there were any positive balance, it would revert to the Treasury.

The purpose of the replenishment was simply to allow it to revert to the Treasury. It was not intended to create the possibility of some permanent internal appropriating capacity. So if there was a drafting problem associated with that, we ought to try to clean that up right away, staff-to-staff, and then again, I would just repeat what the Secretary and Mr. O'Keefe have argued; that it is our OMB view as well, and we are not normally in the position of looking to spend money, but I really think we are going to be pennywise and pound foolish if we don't get defense back on a sensibly managed basis here, because they are distorting substantially. They are not operating under apportionment. They are pulling money from the fourth quarter and from all kinds of accounts and spending it now. They are reallocating to use food and forage for those things which it is legally eligible, and without any clear understanding at this stage of what, in fact, is going to be available in those accounts later.

I think it is a very undesirable and almost irresponsible way to manage. So it is another reason I would hope we could find some way to draft quickly, and if the committee is concerned, I mean, to draft and act quickly, and if the committee is concerned about protecting itself against the unknown, let us invent a way to make some subsequent adjustment. If we have not invented the right one, let us invent another one.

Senator INOUYE. Once again, may I assure you that the committee will expedite this process and report this measure to the Senate as soon as possible.

Mr. DARMAN. We thank you very much.

PREPARED STATEMENT OF SENATOR BARBARA A. MIKULSKI

Senator INOUYE. The committee has received a statement from Senator Mikulski which will be inserted in the record at this point.

[The statement follows:]

STATEMENT OF SENATOR BARBARA A. MIKULSKI

Mr. Chairman, you have my support in making sure that our troops have whatever they need to do their jobs.

As a member of the Senate Military Family Support Task Force, I also believe that this committee has a responsibility to fully fund new personnel benefits which I believe the Congress will approve early this year. The Gulf emergency has forced us all to reevaluate the needs of our troops, their families and the institutions that support them, and I expect the committee to work with the authorizing committees in the weeks ahead to provide benefits that reflect the personal sacrifice of our courageous troops and their families.

These benefits may include a stronger safety net for Reservists, civilian-style unemployment benefits, increased hostile fire pay, family support services and child care, among others.

Today's request will provide a basic fund to pay for direct Desert Shield costs. It also establishes a framework for handling contributions by our allies.

My principal concern with the request is to make sure that the funds pledged by our allies are there when we need them—in the bank, not just on paper.

The committee needs to make sure that the Administration has a strategy for enforcing these contributions. Some of our allies, who have a much greater dependency on Gulf oil than we do, have had to be strongly pressured to pledge their fair share. Now the war appears to be winding down, and the bills will be coming due. The United States assumed the leadership of the Gulf coalition, but Uncle Sam is not going to pick up the check.

ADDITIONAL COMMITTEE QUESTIONS

Senator INOUYE. There will be some additional questions from various Senators which will be submitted for your responses in the record.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

ADDITIONAL COMMITTEE QUESTIONS SUBMITTED TO THE DEPARTMENT OF DEFENSE

REDUCTION OF REQUEST BY THE AMOUNT OF IN-KIND CONTRIBUTIONS

Question. The total of your request before us could total some $68 billion. Of this, the amount that is contributed by our allies in-kind in the Gulf theater will not be reimbursed by us, and that sum need not be appropriated by the Congress. What do you estimate to be the total of in-theater in-kind cost? So the amount you are really requesting that this Committee appropriate from the gift fund and, if necessary from the American taxpayer is $68 billion minus whatever we expect to receive in-kind.

Answer. The value of in-kind contributions received through January 31, 1991 is $2.7 billion. Commitments to date total $53 billion which will be comprised of both cash and in-kind support. There is insufficient data at this time to distinguish between the two categories of support.

GUARD AND RESERVE TRANSFER AUTHORITY

Question. Section 8144 requests general authority to transfer funding between guard and reserve and active forces appropriations due to the activation of national guard and reserve forces. However, the justification material provided delineates, by appropriation, the assets available from the Guard and Reserve appropriations. Would it not be more appropriate to request specific transfers by appropriation instead of generic authority?

Answer. The assets available from Guard and Reserve appropriations are estimates of annual savings, given a conflict lasting the entire fiscal year. Since it is not clear when the reserve personnel who were called up will be released from active duty, this will impact the actual savings that will accrue from the Guard and Reserve appropriations. Therefore, it would not be appropriate to request specific transfers by appropriation at this time.

AIRLIFT AND SEALIFT

Question. Airlift and sealift costs were the areas of greatest disagreement between the early estimates of CBO and DOD. It may be similarly so with the estimates for these activities in the proposed Supplemental. These costs and the reasons for disagreement may be best understood if DOD defines what are the one-time and recurring costs here: One-time costs would be defined as those costs of moving troops from the U.S. and Europe to the Gulf region which will not be borne again until the troops return. Recurring costs are those costs that are associated with resupply of our forces.

What are the airlift and sealift costs directly related to the Persian Gulf deployment including maintenance, fuel, contractual support, and other costs? How are these costs divided into one-time and recurring costs?

Answer. In estimating the requirements for Desert Shield, it must be remembered that the flow of personnel and equipment to the AOR actually began in August 1990 and continued into February 1991. Hopefully, we will soon begin the reverse process of returning personnel from the Gulf region. Essentially, all costs well into February are considered to be the cost of deploying the force. It is impossible to distinguish, with any amount of accuracy, that portion of the estimated transportation requirement for October through March that supports the deployment effort as separate from the sustainment effort. Also, transportation requirements estimated by the Services include not only the costs for airlift and sealift, but the costs for packing, crating, and handling of material, and the costs of rail shipment of supplies and materials to ports in CONUS and Europe and port handling expenses at those ports. The estimated cost of fuel associated with the transportation requirements were identified separately and included as part of Incremental Desert Shield Fuel Costs. Incremental transportation requirements in the DOD estimate for October through March are broken out as follows by Service:

[In millions of dollars]

	Transportation	Related fuel	Total
Army	4,002	625	4,627
Navy	237	39	276
Marine Corps	20	3	23
Air Force	491	270	761
Defense Agencies	17	9	26
Total	4,767	946	5,713

Question. How does DOD determine which costs are incremental and which were built into its 1991 budget?

Answer. The Services identified the budgeted fiscal year 1991 transportation requirements supporting those units deployed to the Persian Gulf in support of Desert Shield that now would not be required as originally programmed. These resources, which were for normal sustainment transportation, were reapplied to offset Desert Shield requirements. The transportation estimates for Desert Shield represent the remaining incremental increase for transportation after considering the offset. Generally, the full cost of the deployment is incremental. Only a portion of the continuing resupply of deployed units would be offset by budgeted costs.

KEEPING AMERICAN POSSESSION OF AMERICAN EQUIPMENT

Question. We have transferred a sizable amount of valuable U.S. defense equipment to support our troops and the coalition forces in the Saudi Arabia and the Gulf theater. When the war is over and we return our forces home, can you assure the Committee that all the supporting equipment and defense articles we deployed with them will return with them? We are going to need all that equipment for the future, I presume, and certainly we do not want to be in a position of appropriating money to replace equipment that we left with the Saudis or others in a kind of off-budget transfer. Given the wind-down of our forces in the European theater, a lot of equipment has been transferred to the Persian Gulf, and, if the equipment is no longer needed in Europe, can we have your assurance that it will, also, be returned to the United States or other U.S. stationed forces and not simply be left in-theater? Is the cost of bringing this equipment back to the U.S. included in the wind-down estimate? Any transfers of equipment should be first approved by the Congress through a procedure that, if it is not already clear, should be established in this Supplemental Appropriations bill.

Answer. At this time, we have not determined the final disposition of the equipment currently deployed to the Gulf area. The time schedule for redeployment and decisions concerning a residual security force have not been made.

MILITARY CONSTRUCTION

Question. Military Construction was an area of disagreement between earlier CBO and DOD cost estimates. CBO did not estimate any construction costs because of the great uncertainty over what would be built.

a. What have been the military construction costs? What types of facilities have been built and how many?

b. Will the facilities built and the construction materials and equipment used to build them remain in the region after the conflict ends?

c. Do we intend to require the nations receiving this equipment to pay for it?

Answer. To date, the Army has spent approximately $7.5 million. These costs have been incurred for supervision, and inspection of projects built by the Saudis. The facilities are for helo pads, base camps, logistics support facilities, hardened aircraft shelters, etc. The Saudis are contracting directly with American companies to build and equip these facilities. Consequently, they are Saudi facilities. However, we anticipate being reimbursed for any DOD appropriations expended in connection with them.

IN-COUNTRY SUPPORT

Question. Similar to incremental fuel costs, much of the costs associated with in-country logistics (water, transportation, food and facilities) were to be borne by Saudi Arabia per our Host Nation Support Agreement with that country. We have been unable to receive data on what support has been provided and the value of such support. There has been concern that, due to the urgency of fielding our forces, some equipment and services have been provided by private vendors at rates much higher than fair market prices. What is your response to these concerns? Can you provide the committee a breakout of costs that will have been borne by the Saudis through March 31 per the host nation support agreement? For those costs not covered, are we paying fair market prices for equipment and services leased from foreign private vendors?

Answer. There is no Host Nation Support Agreement with Saudi Arabia. There is a Logistical Support Implementation Plan which specifies that Saudi Arabia will provide, at no cost to the U.S., fuel, transportation, food, water and facilities to support U.S. forces. Mr. Sean O'Keefe, the Comptroller of the Department, has sent monthly reports of Foreign Contributors' Responsibility Sharing to the Senate committees on Armed Services and Appropriations. Enclosed is the most recent report dated February 20, 1991, for the record. This monthly report lists the value of assistance-in-kind from all foreign governments including Saudi Arabia. During the critical early stages of deployment, U.S. forces, by necessity, contracted for some scarce equipment and services with Saudi Arabian concerns at very high prices. While unavoidable during this hectic "sellers market" period, Saudi Arabia reimbursed the U.S. for these costs via a $760 million check which was deposited into the Defense Cooperation Account in November 1990. Through January 31, 1991, (the latest data available) assistance-in-kind from Saudi Arabia totaled $1.566 billion, broken down as follows:

	Millions
Fuel	$743.9
Food/water	635.7
Facilities	162.4
Transportation	24.0
Total	1,566.0

As of February 28, 1991, Saudi Arabia has also contributed $807 million to the Defense Cooperation Account to cover applicable support costs incurred through November 1990 under U.S. contracts awarded in-country; issues of fuel from the DOD supply system through October 31, 1990, and U.S. transportation costs through October 31, 1990. Generally speaking, the support provided by Saudi Arabia at no cost to the U.S. covers all in-country support categories except ammunition, spare parts and equipment maintenance which is being provided or performed by the U.S.

Question. Is there a limit on how much and what type of support Saudi Arabia will provide?

Answer. The Logistical Support Implementation Plan does not specify an upper limit on the dollar amount of support. However, the plan does restrict support to the following categories: food/water; fuel; transportation; and facilities.

OPERATIONS DESERT SHIELD/DESERT STORM

FOREIGN CONTRIBUTORS' RESPONSIBILITY SHARING AS OF FEBRUARY 20, 1991

[In millions of U.S. dollars]

Contributor	Amount cash received [1]	Material and lift assistance in-kind received [2]	Total value received
Saudia Arabia	4,457	1,566	6,023
Kuwait	3,500	10	3,510
UAE	870	140	1,010
Japan	866	457	1,323
Germany	2,432	531	2,963
Korea	50	21	71
Other		3	3
Total	12,175	2,728	14,903

[1] Amount received and deposited to the "Defense cooperation" account to date and invested in short-term Treasury securities.

[2] As of January 31, 1991. Receipts do not reflect substantial additional in-kind material currently in the pipeline, and additional in-kind lift under charter for future use.

IN-COUNTRY SUPPORT

Question. Page 20 of the justification materials submitted with the supplemental indicates that funding is needed for real property maintenance. What amount is to be spent on real property maintenance through March 31, 1991, and what is the urgency for these funds? Why is this cost considered an incremental cost?

Answer. From October 1, 1990, through March 31, 1991, $27.2 million is projected to be spent on real property maintenance in the theater of operations. These resources are required for critical engineering services, including maintenance of drydocks, roads and buildings. These services are similar to the engineering services performed on a regular basis throughout the Army, but are required at levels over and above those contained in the Army's pre-Desert Shield/Storm appropriation. This entire amount was shown as an offset which will be provided by the Saudis as assistance-in-kind.

EQUIPMENT MAINTENANCE

Question. Major repair of equipment and overhaul (known as depot maintenance) is another area where difficulties arise when determining what costs are incremental and what costs are included in the basic budget. The Supplemental proposes significant funding increases for these types of activities. For example, the supplemental requests a doubling of funding for Army depot maintenance in fiscal year 1991. But there are a number of considerations that prompt questions over the urgent need for these funds, such as: (1) whether equipment deployed with the forces will be available in fiscal year 1991 for repair or overhaul; (2) whether plans for repairing such items as ships and aircraft, which take months to draw up, can be completed in time; and (3) whether sufficient workload capacity exists at our repair facilities to execute these plans.

Secretary Cheney, on page 7 of the justification materials submitted with the Supplemental, you indicate that $905 million is required for repair and overhaul of major equipment for the period January to March 1991. What is the urgency of these funds; that is, is it necessary to obligate these funds by March 31?

Answer. The $905 million required for repair and overhaul of major equipment from January to March 1991 was a baseline estimate of costs we would incur for Desert Shield given an increase in the level of activity and the harsh desert environment. However, this estimate did not include funds to repair equipment damaged during combat. With the onset of hostilities, depot maintenance requirements have increased and the services have been adjusting scheduled depot maintenance workloads to accommodate this increase. Despite the cessation of hostilities, there remains a sense of urgency for these funds to meet obligations already incurred for depot maintenance.

Question. What savings are there from slowing depot maintenance activities in the Army, Navy aircraft, and Air Force programs?

Answer. Army savings of an estimated $173.9 million for equipment maintenance are incorporated in the supplemental baseline estimate as an offset to the total Army equipment maintenance requirement of an estimated $1,675.2 million. The Navy aircraft equipment maintenance requirement of $276.6 million did not reflect any identifiable savings as Navy aircraft depot maintenance requirements increased in order to meet the surge in the aircraft sortie rate. The total Air Force requirement of $166 million for equipment maintenance incorporates savings of $50.5 million for exchangeables repair.

Question. The justification materials submitted with the Supplemental request indicate that some Navy ships will be substituted for major repair activities planned for other ships. How will this be done in light of the fact that it takes many months to plan these types of repairs for each ship?

Answer. Because of deployment requirements, 23 ship maintenance inductions scheduled in fiscal year 1991 have been canceled and rescheduled in fiscal year 1992. In order to fill the resulting workload void, the fiscal year 1992 induction schedule was reviewed to determine whether any of the maintenance availabilities could be accelerated to offset the fiscal year 1991 slippages. Navy has been reviewing the maintenance schedule from the beginning of Desert Shield operations because of the changes occurring in the deployment schedules. As a result, 14 ships were determined to be able to meet an earlier maintenance availability. A majority of the ships are being accelerated from the first quarter fiscal year 1992. The Navy looked at the status of planning efforts for all ships including requirements for advance procurement of materials and whether the planning schedule could be compressed. The 14 ships that are tentatively rescheduled into fiscal year 1991 meet the criteria. However, this accelerated workload does not totally offset the inductions that would be canceled.

Question. For each Operation and Maintenance appropriation account will you provide information on costs and savings associated with depot maintenance activities related to Desert Shield operations?

Answer. Costs and savings associated with depot maintenance activities related to Desert Shield are:

	Millions
Operation and maintenance, Army:	
Savings incorporated	–$173.9
Incremental costs	1501.4
Operation and maintenance, Navy:	
Savings incorporated (ships)	–220.0
Incremental costs	472.0
Operation and maintenance, Marine Corps:	
Savings incorporated	
Incremental costs	65.0
Operation and maintenance, Air Force:	
Savings incorporated	50.5
Incremental costs	166.0

DESERT STORM COSTS

Question. The detailed justification material submitted with the Supplemental request estimates the cost of daily combat ranging from $150 million to $1.65 billion per day. However, according to the data on page 60, the higher estimate is based primarily on the cost of replacing large numbers of aircraft, tanks, ships, and other weaponry. Factoring out the replacement costs, it appears the cost of daily combat operations for a ground and air war equates to about $400 million. Is this a reasonable estimate?

Answer. In the particular instance in which the total estimated cost per day is $1,650 million, the daily combat operations for ground and air activity could be approximately $400 million. However, changes in air defenses, weather and the types of targets to be hit could alter these costs from the $400 million estimate. The objective of providing a number of daily cost scenarios was to illustrate the difficulty in determining a meaningful average for projecting the cost of combat. Therefore, the $400 million estimate for air and ground operations should not be considered as a benchmark for future use.

Question. Are you in a position at this time to give us your assessment as to whether the amounts requested in this Supplemental ($53.5 billion from contributions and up to $15 billion in U.S. funds) will be sufficient to pay for the entire cost of this conflict?

Answer. The Department believes that the new budget authority of $15 billion along with the $53.5 billion in commitments from our allies should be sufficient to cover the Desert Shield/Storm costs, but it will be a while longer before we know this for sure.

Question. In this request, you have included costs for wind down of about $12 billion. The wind down period is expected to last three months. Are you asking the Committee to extend the availability of these funds beyond the March 31 period proposed?

Answer. The cost estimates for incremental baseline Desert Shield reflect costs for various scenarios to include a full year of operation, a phase down period, and a redeployment. The Department's supplemental request of $15 billion in new budget authority, the appropriation of allied contributions deposited into the Defense Cooperation Account, and the authority for the subsequent transfer of these funds is to provide Desert Shield/Storm funding for the foreseeable future. Hence, the Department is requesting that the availability of funds and requested authorities be through September 30, 1991.

INVESTMENT FUNDING

Question. The justification materials submitted with the Supplemental categorizes investment funds (Research & Development and Procurement) into two general groups: "Accelerated Acquisition" and "Production Surge." Would you explain to the Committee the definition of these two categories and how you decided which programs fell into which group?

Answer. The "Accelerated Acquisition" category identifies combat support items that could have an immediate impact in the theater and could have been delivered before September 30. This category includes upgrading equipment such as PATRIOT missiles and purchasing equipment such as shelters, medical equipment and spare parts. The "Production Surge" category identified requirements for munitions being used in-theater. The requirement was based on an attempt to position the industrial base to support wartime production and preclude low inventory levels. In many cases, the requirement will bridge a production gap resulting from production rates that have already been surged. The requirement was not based on estimated consumption.

Question. The Supplemental also breaks the Department's investment costs into Desert Shield and Desert Storm categories. Would you please explain to the Committee how you made a distinction between these two groups?

Answer. The $1.3 billion identified as a Desert Shield investment requirement was determined before the hostilities broke out and represents combat support items that could be delivered in-theater before September 30. It includes $0.5 billion of in-kind support from Japan and Germany (i.e., NBC reconnaissance vehicles, trucks, forklifts, shelters, pallets, etc.). The list of combat support items was then updated to become the "Accelerated Acquisition" category ($0.9 billion without the in-kind support) which added to the "Production Surge" category became the $6.4 billion investment requirement. There was no distinct Desert Storm investment requirement.

Question. Is it correct to assume that if the ground war ends soon, the majority of the $6.4 billion you are requesting for the "Desert Storm" category will not be required?

Answer. It is premature to say how much of the $6.4 billion will be required because reliable consumption data is not yet available. The $6.4 billion was provided as a representative example of the investment requirement and was not based on consumption or any projection of the duration of the conflict. With the conclusion of the ground war the Department will use Supplemental funding to finance only the combat support and munitions requirements actually used in theater and to prevent production line breaks due to production that was already surged.

EQUIPMENT PROCUREMENT

Question. On page 7 of the justification materials submitted with the Supplemental, funding is proposed to reconstitute supplies contained in the five Marine Corps prepositioning ships and to replace containers used to off-load these supplies. Because priority must be given to purchasing supplies for our forces' use in the field, why should these prepositioning ship supplies be funded now? What is the urgency to obligate these funds in the 90-day period January through March 1991?

Answer. The consumable supplies from the five maritime preposition ships were expended by the Marine Corps ground forces during the early stages of Desert Shield. The reconstitution is required in the event that a contingency arises requiring the deployment of a third Marine Corps division.

WEAPONS COSTS

Question. Weapons costs also are difficult to distinguish between incremental and base costs. How does DOD determine which weapon costs are incremental and which were built into its fiscal year 1991 budget?

Answer. Incremental investment costs are only those costs that can be directly related to Desert Shield/Desert Storm requirements and for which there was not sufficient funding in the fiscal year 1991 budget. For example, the munitions requirements are based on assuring that the inventory levels will not fall below the planned fiscal year 1991 inventory. The accelerated acquisition requirements are for combat support items which could not be accommodated with below threshold reprogramings.

Question. What are the costs of increased munitions consumption? How much ammunition was programmed for use or actually used during the last three years?

Answer. The following provides preliminary munitions consumption data as of February 27. The consumption data will need to be updated as more reliable information is available.

DESERT SHIELD/STORM CONSUMPTION

[Dollar/ammo amounts in thousands]

Appropriation/line item	Quantity	Amount
Missile procurement, Army:		
Patriot	158	$100,000
ATACMS	87	50,000
Hellfire	1,063	42,400
TOW	208	5,500
Procurement of ammunition, Army:		
Cartridge, 25 mm, APFSDS–T, M–919	240	25,700
Cartridge, 25 mm, APDS–T, M–791	1,400	41,400
Cartridge, 25 mm, AP training, M–910	1,191	23,800
Cartridge, 25 mm, HEI–T M–792	1,000	20,000
Cartridge, tank, 105 mm, APFSDS–T M–900A1	8	16,000
Cartridge, tank, 120 mm, TP–T M–831	27	26,000
Cartridge, tank, 120 mm, TPCSDS–T M–865	30	22,000
Projectile, artillery, 155 mm, HE, M–107	59	11,300
Projectile, artillery, 155 mm, HE, RAP M–549	53	41,000
Projectile, artillery, 155 mm, ADAM	7	36,000
Projectile, artillery, 155 mm, illumination, M–485	18	4,500
Projectile, charge, 155 mm, red bag, M–119	125	20,000
Weapons procurement, Navy:		
Tomahawk	290	377,000
HARM	2,033	437,000
MK–83 1,000 pound general purpose bomb	6	40,400
2.75 inch rocket illuminating warhead	1	500
Cartridge, 20 mm, SAPHEI, PGU–28	150	1,200
Cartridge, 25 mm, PGU–25	30	700
Cartridge, 25 mm, API, PGU–28	45	900
MK–83 1,000 pound practice bomb	27	32,500
CBU–78 gator	.5	12,400
FMU–140 proximity fuze for rockeye	29	138,200
Tether bank kits for rockeye	12	500
MK–83 laser guided bomb kit	.8	16,000

DESERT SHIELD/STORM CONSUMPTION—Continued

[Dollar/ammo amounts in thousands]

Appropriation/line item	Quantity	Amount
Other procurement, Navy:		
RR-144 chaff cartridge	500	1,600
MJU-22 infrared decoy flare	10	1,400
MJU-27 infrared decoy flare	18	1,800
CCU-63	500	800
BOL chaff	1,500	4,100
Special purpose support system		16,200
Spare and repair parts		8,700
Procurement, Marine Corps:		
Cartridge mortar, 81 mm, HE/MO	73	18,700
Cartridge mortar, 81 mm, smoke	32	8,200
Cartridge mortar, 81 mm, illuminating	58	13,100
Propellant charge, 8 inch, red bag	18	4,200
Missile procurement, Air Force: Maverick	5,000	370,000
Other procurement, Air Force:		
Cartridge, impulse, ARD-863	375	800
CBU-89 gator	1.2	41,400
GBU-15 Electro-optic guided glide bomb	.1	45,600
GBU-24 laser guided bomb kit	1.2	102,000
GBU-27 laser guided bomb kit	.8	68,000
CBU-87 combined effects munition	9	108,000
MK-13 1,000 pound bomb (area denial)	.9	14,600
FMU-139 fuze cables	154	5,200
ALA-17 infrared decoy flare	36	9,500
MJU-7 infrared decoy flare	20	700
M-206 infrared decoy flare	100	1,500
Long-range interrupter		200
MJU-10 infrared decoy flare	2	100

The munitions usage during the last three years is as follows:

	1988	1989	1990
Missiles:			
Patriot	28	35	27
Hellfire	302	378	423
TOW	1,005	1,321	1,050
Stinger	153	198	311
ATACMS			
MLRS	395	348	356
Tomahawk	6	6	6
HARM	10		2
Maverick	476	476	520
Ammunition (quantity in thousands):			
Army:			
25 mm:			
APDS-T, M-791	351	361	226
AP-T, M-910			63
HEI-T, M-792	9	19	8
120 mm tank:			
TP-T, M-831	26	44	45
TPCSDS-T, M-865	85	132	167
Artillery:			
155 mm HE, M-107	281	289	309
155 mm illuminating, M-485	20	27	25
Navy:			
General purpose bombs:			
MK-83, 1,000 pounds	5.2	2.5	1.0
FMU-140 fuze (for rockeye)	1.6	.5	.5
Tether band kits	.6	.7	1.3

	1988	1989	1990
MK-82 LGB kits	.4	.2	.8
MK-83 LGB kits	.4		
MK-84 LGB kits	.1		.2
Practice bombs: MK-83 practice bomb	4.8	9.6	4.8
2.75 inch rockets: M-257 illuminating head			
Machine gun ammo:			
20 mm SAPHEI PGU-28			
25M HEI PGU-25			
25M API PGU-28			
5"/54 ship gun:			
HE-PD	8.4	9.6	7.2
HE-CVT	27.6	20.4	13.2
HE-IR			
Illuminating	.4	.4	.5
Full charge (propelling)	78.0	78.0	54.0
Primer	8.4	12.0	12.0
76 mm ship gun:			
HE-VT/CVT			
HE-PD	12.0	10.8	2.4
HE-IR	4.8	1.2	1.2
RR-144	10.8	40.1	23.2
MJU-22			.8
MJU-27		.5	.8
CCU-63	170.5	338.3	151.1
BOL CHAFF			16.0
Marine Corps:			
81 mm mortar, HE/MO, M-821	34.6	34.6	34.6
81 mm mortar, smoke, M-819	2.2	4.2	6.2
81 mm mortar, illuminating, M-301	19.6	20.3	20.3
155 mm CP, RB, M-203	1.1	1.1	1.1
Air Force:			
ARD-863	1,900	1,700	1,600
ALA-17	30.1	17.9	12.0
M-206	518	1,700	1,600
MJU-7	270	330	444
MJU-10	2.3	65.5	65.0
CBU-87 [1]	24	24	24
CBU-89 [1]			
GBU-15 [1]	62	70	25
GBU-24 [1]	38	38	29
GBU-27 [1]	3	2	2

[1] Whole quantity, not in thousands.

Question. What are the costs of major equipment losses? How much major equipment was lost during each of the last three years?

Answer. The Department is still assessing the major equipment losses and will provide the Committee the results when they are available.

Major equipment attrition over the last three years is as follows:

	1988	1989	1990
Army aircraft:			
AH-1	4	2	2
OH-58	6	8	9
UH-1	10	7	5
UH-60	6	4	4
CH-47	2	1	3
OH-6	4	1	1
AH-64		4	3
Fixed wing	1	1	1
Other		1	
Total	33	29	28

	1988	1989	1990
Navy aircraft:			
F/A-18	5	8	7
F-14	7	6	2
AV-8B	4	3	11
EA-6B	1	1	1
A-6	3	3	4
KA-3	1		
A-7	3	1	2
TA/A-4	5	10	8
S-3	1	2	
T-39	1		
T-34	2		1
T-2	1	6	
OV-10		1	3
F-4			1
P-3			1
SH-2	6	2	1
SH-3	1	1	2
SH-60	1	2	5
MH/CH-53	2	1	4
UH-1	1	2	6
CH-46	3	3	4
AH-1		2	
VH-3D			1
Total	48	54	64
Air Force aircraft:			
A-7	4	4	2
A/OA-10	3	5	4
OA-37	1		
B-1		2	
B-52	1	2	
FB-111		1	
C-5			1
C-130	1	1	
C/KC-135		2	1
C-141		1	
F-4C		1	
F-4E	1	3	7
F-4G			1
RF-4C	5		5
F-5	2		
F-15	2	5	7
F-16 [1]	20		
F-16A/B		5	5
F-16C/D		11	11
EF/F-111	3	2	4
H-3	1	3	
H-53		1	
OV-10	1		
T-38	3	3	2
Total	48	52	50
Other systems:			
M-1 tank	13		
Bradley FVS			
10-ton trucks	11	17	23

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[1] Beginning in 1989 F-16A/B and F-16C/D display separately.

PERSONNEL COSTS

Question. Personnel costs are easier than most to define because incremental costs are usually more obvious. One example is the costs of reserves called to active duty.

Will you succinctly describe for the Committee what are the personnel costs for reserves and for active duty forces associated with the Persian Gulf deployment, including pay, benefits, special pays such as family separation allowances, and others?

Answer. When reserve personnel are called to active duty, they receive pay and allowances in the same manner as their active counterparts. The Services have relied on guard and reserve volunteers to serve in various positions, who also receive the same pay and allowances as their active counterpart. Both active and reserve personnel called to active duty are receiving Imminent Danger Pay for duty in and around the Arabian Peninsula effective September 19, 1990, and in Israel, Egypt, Jordan, Syria, and Turkey effective February 6, 1991. This cost is based on the monthly authorization of $110 for each member. Planned reductions in the active force have also been temporarily delayed where it was necessary to retain personnel in support of Desert Shield. Additionally, certain personnel, predominantly in medical specialties, were recalled from retired status. The pay and allowances for these personnel are costs above and beyond available funding in fiscal year 1991. There are other military personnel costs associated with Operation Desert Shield/Storm, such as Family Separation Allowance ($60 per month), Foreign Duty Pay (Range from $16 to $22 per month), Clothing, Sea Pay, Medical Pay, and other allowances for applicable personnel. Also included is the cost of evacuating dependents of military personnel from the area of conflict and travel costs to activate guard/reserve personnel.

OPERATING TEMPO

Question. Can the operating tempos of Navy ships assumed in the request be sustained over the period? What data does DOD have that substantiates these operating tempos?

Answer. Navy ships can maintain the Desert Shield operating tempo of 66 steaming days per quarter for the period. While the Desert Shield operating tempo reflects a 29 percent increase over the standard 50.5 steaming days for those ships scheduled to be deployed and 127 percent over the average 29 steaming days for those ships not scheduled to be deployed, organizational and intermediate maintenance can adequately support these ships through the end of the fiscal year. However, the higher tempo does require additional supplies and materials and higher levels of nonscheduled maintenance. The operating tempo of 66 steaming days per quarter used in making the cost estimate is based on the Navy reports from the deployed forces involved in Desert Shield operations.

Question. As of February 15, 1991, have operating tempos of U.S. forces not deployed to the region been reduced?

Answer. As a whole, the OPTEMPO of U.S. forces not deployed to the region has not been reduced. This is necessary in order to maintain commitments throughout he world. However, some aviation units have had their flight hours reduced in order to increase the hours available in SWA.

Question. What are the costs of supplies and services related to weapon and equipment use including fuel, spare parts, and maintenance? How are these divided into costs stemming from increased use and costs stemming from the extra demands of desert operations (e.g., increased frequency of filter changes.)

Answer. The supplemental request includes $4,671 million to cover the incremental cost of supplies and services related to weapon and equipment use during Operation Desert Shield. This includes $2,147 million for the higher level of operations in the Gulf region. The remaining $2,524 million is due to the harsh desert environment.

Question. The Supplemental assumes Army costs of $347 million for "requirements for unit level maintenance" other than supplies, equipment and spare parts. What are these requirements?

Answer. The $347 million for maintenance does, in fact, pay for supplies, equipment and repair parts. The differentiating factor in the $347 million is that these funds are required to cover general support maintenance, which is maintenance performed by Army units at corps level in the theater of operations. Other unit-level maintenance, such as that performed at division and battalion level, is included elsewhere in the funds requested for operating tempo.

ADDITIONAL COMMITTEE QUESTIONS SUBMITTED TO THE OFFICE OF MANAGEMENT AND BUDGET

REBUILDING KUWAIT WITH U.S. FUNDS

Question. America has committed her energy, the cream of her military forces, and sacrificed in blood and anguish, and as we speak is continuing that effort to restore to Kuwait her sovereignty and its government. The Iraqis have visited devastation and despair onto Kuwait, and the Kuwaiti government in exile, it is reported, is prepared to return and roll up its sleeves to rebuild their country. I think America can help in that rebuilding, has earned a priority place in participating in it and should benefit from it. What steps are you taking now with the exiled government of Kuwait to ensure that American firms will have priority in the rebuilding of Kuwait? Has a task force been established by your Department with the Department of Commerce to work with the government of Kuwait in this regard?

Answer. The Kuwaiti Ambassador to the U.S., on behalf of his government, has stated that Kuwait will give preference to contractors from the U.S., Britain, and other coalition allies and that Kuwait will not forget the friends who stood by his country in its time of need. There is already an indicator of Kuwaiti intent. Of the more than $500 million in contracts awarded to date, seventy percent have gone to U.S. companies. The U.S. government is assisting U.S. firms in the pursuit of these commercial opportunities and will continue to do so.

A special office in the Department of Commerce, called the Gulf Reconstruction Center, has been established. It serves as an information clearinghouse for U.S. businesses and provides assistance and counselling.

There are ongoing efforts on the ground in Kuwait by two U.S. army groups. An Army Civil Affairs group called Kuwait Task Force Enterprises is helping to organize contracting. The Army Corps of Engineers has an initial $46 million contract to direct the early stages of damage assessment and rebuilding design. In addition, the Kuwaiti Oil Company has selected the Bechtel Corporation as the program manager of the multi-year reconstruction effort of the oil sector.

QUESTIONS SUBMITTED BY SENATOR DANIEL K. INOUYE TO THE DEPARTMENT OF DEFENSE

OPERATING TEMPO

Question. On page 18 of the justification materials, DOD indicates that it requires funds of $2.6 billion due to increased operating tempos of Army forces in the desert environment. Most of these funds ($2.1 billion) are designated for purchases of spare parts and supplies. The Supplemental requests another $347 million for "requirements for unit level maintenance" other than supplies, equipment and spare parts. What are these requirements?

Answer. The $347 million for maintenance does, in fact, pay for supplies, equipment and repair parts. The differentiating factor in the $347 million is that these funds are required to cover general support maintenance, which is maintenance performed by Army units at corps level in the theater of operations. Other unit-level maintenance, such as that performed at division and battalion level, is included elsewhere in the funds requested for operating tempo.

Question. Since the Saudis have agreed to cover our food costs in-country, will we ask them to cover the replacement costs of Meals Ready to Eat (MRE's) eaten by our troops there?

Answer. The Logistical Support Implementation Plan between U.S. Forces (CENTCOM) and Saudi Arabia specifies that the Saudis will also reimburse the U.S. for issues of food from the DOD Supply System. Through December 31, 1990, such issues of subsistence items, including MRE's, total about $666.7 million. A bill for this amount will be presented to Saudi Arabia for payment very soon.

IN-COUNTRY SUPPORT

Question. Are these funds to be spent on doing maintenance on facilities in Saudi Arabia?

Answer. Yes. The estimate reflected in the supporting material represent annual requirements. The $54 million specified on page 20 is an estimate of facility maintenance through the end of fiscal year 1991.

Question. How did DOD determine that these costs were incremental and what is the urgency of providing these funds in a Supplemental which covers only the period up to March 31, as the Administration has requested?

Answer. Incremental costs are those above and beyond what we would have expected to incur had it not been for the invasion of Kuwait and Desert Shield. The $54 million cost estimate for real property maintenance contained in the Supplemental is through September 30, 1991 and does not end March 31, 1991. The entire cost estimate of $54 million is to be offset by assistance in kind.

QUESTIONS SUBMITTED BY SENATOR DANIEL K. INOUYE TO THE OFFICE OF MANAGEMENT AND BUDGET

ALLIED CONTRIBUTIONS

Question. Mr. Darman, currently you have received about $14.9 billion in allied contributions of the $53.5 billion promised by March 31. Considering the small amount already received, what level of confidence do you have that each of the allies will meet its pledge?

Won't the pressure be off the allies to make their pledges if Congress appropriates $15B for Desert Shield?

If all of the funds received by foreign gifts exceed the amount required for Desert Shield, what is your understanding of the disposition of the remaining funds?

Could these amounts be used for nondefense costs of Desert Shield, such as FBI and the State Department?

Answer. We fully expect our allies to meet their pledges. We are confident that they will do so. The incremental costs that have been specifically identified plus the incremental costs of combat are expected to meet or exceed the $53.5 billion level that has been pledged. Contributions are to be used to finance incremental costs of Desert Shield, not non-defense costs such as the FBI and the State Department.

DESERT SHIELD COSTS

Question. Mr. Darman, the supplemental requests authority to use any funds deposited in the Defense Cooperation Account for the costs of Desert Shield, subject to the approval of OMB. What congressional oversight is provided under your request?

Mr. Darman, do you believe the amounts listed for all the categories in the justification material qualify as "budget quality" estimates? If so, then would it be appropriate for Congress to allocate funds by appropriation account instead of through transfers as you suggest?

Mr. Darman, if the Congress were to reject your request to provide blanket transfer authority for any costs calculated by OMB and DOD as Desert Shield and, instead, appropriate funds to reimburse for actual costs incurred to date what difficulties would that cause DOD?

What costs would not be covered under this type of approach?

Answer. Transfers from the Defense Cooperation Account could be subject to the same congressional oversight procedures that are normally followed for transfers between Defense accounts. Additional detail to supplement the information contained in the back-up would be provided as required.

The back-up justification material was as complete as possible given uncertainties regarding incremental cost of combat. Although there may be refinements in the estimates as new information becomes available, we would not object to appropriation level limitations on amounts to be transferred.

If Congress were to limit the appropriation of funds for the reimbursement of costs incurred to date, the costs of post-conflict phase-down and redeployment would not be covered. There would be significant uncertainty in the future reimbursement of these costs which would inhibit orderly planning of the defense program for the remainder of this fiscal year.

QUESTIONS SUBMITTED BY SENATOR DANIEL K. INOUYE TO THE DEPARTMENT OF DEFENSE

TOTAL FORCE POLICY

Question. Operation Desert Shield/Storm has provided the most recent opportunity the Department of Defense has had under combat conditions to evaluate its total force policy.

Can you tell us what your experiences have been to date? Is the policy working?

Answer. The Coalition Forces have achieved an impressive and overwhelming victory with their efforts to date in Operation Desert Storm. Much of the success of the Coalition Forces can be directly attributed to the Defense Department's Total Force Policy. The Desert Storm and Desert Shield operations have been textbook exercises in the employment of all facets of the Total Force. We have been able to integrate and employ active forces, reserve forces, military retirees, civilians, contractors, and host nation support into an efficient, responsive, and capable force.

There are many lessons that can and will be learned from Desert Storm. We will need to study what we did right and what we did wrong. We can build on our strengths and learn from our weaknesses, but right now, we believe that the effective integration of all facets of the Total Force was one of the cornerstones of the success of Desert Storm.

Question. Can you comment on the progress the three Army National Guard brigades, which were supposed to serve as "round-out" brigades in active duty divisions, have made in their intensive retraining program?

Answer. The three Army National Guard brigades—the 48th Infantry Brigade from Georgia along with the 155th Armored Brigade from Mississippi and the 256th Infantry Brigade (Mechanized) from Louisiana are undergoing an intensive and aggressive training program in a harsh environment. By design, the training is physically and mentally demanding in order to prepare the units for war. They have been tested hard and they are meeting the training standards. To date, the 48th Infantry Brigade has completed all training requirements outlined by the Army leadership for deployment. The remaining two brigades are scheduled to complete their training requirements at the National Training Center at Fort Irwin, California before they are deployable assets. However, when they have finished their training, they will be fully prepared to act as a strategic reserve or for deployment to the Persian Gulf or elsewhere as required. Regardless of the status of the war, the training received by all three brigades is of lasting value to its soldiers, the Total Army, and all Americans. If the brigades are needed elsewhere in the future, their soldiers will be better prepared to accomplish their mission and survive on a modern battlefield.

Question. Is it likely that any one of the three can be deployed to the Arabian Gulf? Or that they will be?

Answer. Presently with the Cease-Fire in effect, it is unlikely that any one of the three brigades will be deployed to the Arabian Gulf. As of this date, based on reports received, the 48th Brigade is fully trained and capable of deployment if the world situation so dictates.

Question. Although it is early in the ground war, what are the "lessons learned" of Desert Shield and Desert Storm which will influence our defense plans and budgets this year and in the next five years?

Answer. It will be months, even years before we are able to assess all of the "lessons learned" from Desert Shield/Desert Storm. As a very preliminary report, we can identify a number of significant lessons, including the importance of technology and modernization, manpower and training, and power projection and lift.

The value of technology has been adequately demonstrated in Desert Storm. The need to preserve the technological superiority of U.S. forces in the future has caused us to increase the request for R&D funding. By fiscal year 1993, RDT&E budget authority will, after inflation, be 10 percent above fiscal year 1991 levels. The 1990's will be a decade of development, more than of production. We have also shown that Stealth works, and is especially effective in combination with other assets. We must continue its development. Smart weapons also work, and have proved crucial in Desert Storm.

Our troops are as fine a force as we have ever had. With superior training and equipped with modernized weapons and systems, these people are extremely capable. While manpower is projected to decline, there will be no diminution in DOD support for pay and other incentives aimed at preserving their high quality and morale.

Maintaining our capability to project power is absolutely imperative. A strategy geared to crisis response demands that its component forces be ready to perform their missions on short notice. Ready forces, highly trained and able to be deployed immediately for various regional contingencies, and ample lift capability are the two key elements required for this role.

The benefit of alliance relations has proved to be one of the critical elements of this war. The interaction between the U.S. and its allies under the U.N. resolutions is a hopeful precursor to the "new world order" and enhanced security and stability for all members of "the family of nations."

These lessons have long been reflected as priorities in our plans and budgets of the past, and Desert Storm would seem to confirm our approach. As more lessons are learned, we will make every attempt to reflect them in future plans and budgets.

"LESSONS LEARNED" FROM DESERT SHIELD/DESERT STORM

Question. Stealth and "smart" weapons technologies have played a major role in Desert Storm. Within the limits of public discussion, how well have these technologies performed?

Answer. Both stealth and smart technology have performed extremely well in Desert Storm. The following are just some examples of the performance of these technologies:

a. Stealth technology enabled the F-117's to attack Iraq's most heavily defended targets virtually at will.

b. Smart technology substantially increased the weapon effectiveness against almost all categories of targets. Targets such as bridges were effectively destroyed in only a few sorties using precision methods.

c. The Hellfire missile was used against several types of targets including radars, APC's, trucks and fixed sites such as bunkers and towers. In all cases the results reported were catastrophic kills.

d. Patriot intercepted 95 percent of threatening missiles in the footprint even though it was not designed for use against the modified SCUD.

e. The Tomahawk missile was instrumental in achieving the element of surprise in the initial stages of the air campaign.

f. The Standoff Land Attack Missile incorporated off the shelf technology and proved its effectiveness by destroying high value, well defended enemy targets without endangering any delivery aircraft.

g. The High Speed Anti-Radiation Missile (HARM) was extremely effective in the destruction of enemy radars. The loss of these radars degraded the enemy air defense system and significantly lowered the numbers of coalition aircraft lost to that threat.

Question. What other U.S. and allied technological advantages have played a major role in coalition military effectiveness?

Answer. The list of technological advantages include:

a. Surveillance and Reconnaissance. Our ability to "see" the battlefield, and determine the effectiveness of our attacks against deep enemy targets, were instrumental in the overall success of the operation. The AWACS, RPV's, and J-STARS are examples of systems which incorporate such technology.

b. The M-1A1, M-2 Bradley Fighting Vehicle, Light Armored Vehicle (LAV), AH-64 Apache helicopter, and UH-60 Blackhawk helicopter provided our forces lethality and agility superior to the enemy.

c. Our C^3 capabilities also played a major role. Continuous secure communications capability with our forces, while Iraq had substantial difficulty in communicating with their forces, had a significant impact on the coalition's success.

d. Day/night all weather operating capability gave our forces a significant advantage over the enemy.

e. Electronic jamming significantly reduced the vulnerability of strike aircraft to Iraqi air defenses.

f. Night Vision Goggles (NVG's) and Forward Looking Infrared (FLIR) were instrumental giving assistance to crews on night reconnaissance and target prosecution.

g. Mission planning systems such as TAMPS and TEAMS enhanced tactical mission success.

h. Remotely Piloted Vehicles provided invaluable intelligence to battleships and Marine units for gunfire support and identification of enemy units.

i. Data links allowed for a clear tactical picture to naval commanders.

j. Reverse osmosis water purification units were employed at 8 sites and were instrumental in ensuring adequate water supply for forward units.

k. The SQQ-32 minehunting sonar presented a quantum leap in minehunting technology. USN forces were able to detect and prosecute, for the first time in combat, a bottom mine using the SQQ-32.

LESSONS LEARNED

Question. How does the Defense Department intend to capitalize on the lessons learned from Desert Shield and Desert Storm, especially with respect to high technology programs?

Answer. The Department is currently engaged in a substantial collection effort to acquire and archive the technical and operational information which will support the after action analyses that follow Operation Desert Storm. These analyses will shape future doctrine as well as provide rationale for future materiel and force structure decisions. With respect to high technology programs, we want to understand both the successes and shortcomings so we can capitalize on those technologies which worked well and commence improvement programs where necessary.

RESERVE PHYSICIANS ON ACTIVE DUTY

Question. It seems to me that Operation Desert Shield/Storm may have an unforeseen effect on the ability of the military to provide medical care for their personnel during combat. Seventy percent of DOD's medical personnel are in the Reserve Components. When a Reserve physician is called to active duty, he may have to close his practice but, even if he does not, he will still have to pay malpractice insurance premiums, which in the case of high-risk specialties such as surgery may run into thousands of dollars per year.

Concern has been expressed to me that, if Desert Shield/Storm lasts too long, those Reserve physicians who are eligible may decide to get out of the Reserves when it is over in order to avoid being called up again if another crisis occurs.

Does the Department have any indications that you may see a exodus of health care professionals at the end of Desert Storm?

Answer. It would be altogether speculative to estimate what impact the Persian Gulf crisis may have on the retention of military health professionals. We are aware, however, that several Reserve medical leaders are concerned about this matter because of the impact of the Reserve call-up on physicians' private practices and other professional and economic effects upon reserve health professionals. Also, we have received feedback from several Reserve health professionals about their own private practice problems and other hardships as a result of the call-up—matters which are to be expected under the circumstances.

Of course, these situations are not unique or exclusive to the health community. Reservists in many skill areas and civilian occupations made great personal sacrifices in connection with the Persian Gulf crisis, and this matter has received considerable media attention.

We realize, of course, that the difficulties experienced and the sacrifices made by our servicemen and women in this time of crisis—for which the nation will be eternally grateful—may indeed affect future retention. Hopefully, the great pride and sense of accomplishment all armed forces members should justifiably feel, given the enormous success of Operation Desert Storm, will prove to have mostly positive effects on the future retention of military health professionals.

LESSENING FINANCIAL BURDEN ON RESERVE PHYSICIANS

Question. Has the Department considered or recommended any measures that might make the financial burden on Reserve physicians less when they are called to active duty?

Answer. We have been involved with two aspects of this subject: First, the Department submitted a legislative proposal to Congress in September, 1990, which would have the effect of suspending civilian malpractice insurance premiums for activated Reserve physicians and other health professionals. This proposal culminated an initiative begun by Health Affairs, in concert with the Assistant Secretary of Defense for Reserve Affairs, long before the invasion of Kuwait, to provide legislative relief from malpractice insurance costs for Reservists in the event of their call-up due to national contingencies. With exceptional assistance from the DOD General Counsel, we were able to finalize this complex action and submit the proposal to Congress during the early stages of Operation Desert Shield.

The 101st Congress incorporated our proposal, with some revisions, into a bill to amend the Soldiers' and Sailors' Civil Relief Act. Although the 101st Congress did not enact that legislation, the matter has been given priority attention by the 102nd Congress and I am advised that enactment is imminent. I understand the legislation retains certain retroactive provisions that were contained in the Department's proposal, which would provide benefits to Reservists effective on their activation date.

The second aspect has to do with special pay for Reserve physicians. We have fully and expeditiously implemented new authority, contained in the Fiscal Year 1991 Defense Authorization Act, to provide special pay to Reserve physicians, activated in connection with Operation Desert Shield/Storm, on a comparable basis with their active duty peers. Prior to the new authority, the law stipulated that medical special pays were generally authorized only for those physicians called or ordered to active duty for a period not less than one year. Of course, this stipulation would have precluded most called-up Reservists from receiving the active duty special pays, which can total $51,500 annually for some board certified specialists. Under this special new authority, called-up Reservists receive monthly pay comparable to their professional peers, without the need for one-year pay contracts required of active component physicians.

These special pay benefits should provide substantial economic assistance to called-up Reserve physicians, and this assistance will be further enhanced—for many, quite significantly—upon enactment of the legislation to relieve them of malpractice insurance expenses.

Question. I understand that Reserve physicians often provide health care in military hospitals during their annual periods of training. Does the Department have any statistics indicating how much of the medical workload is borne by Reservists doing annual training?

Answer. The Department does not maintain separate workload accounting for reserve personnel. Reserve staff on active duty for training are integrated into the facility's health care operations and their work is accounted for in the same manner as the active duty staff.

WOMEN IN COMBAT

Question. Yesterday's Washington Times reported that women pilots in the 101st Airborne Division were flying helicopters in air assaults on enemy territory. Army regulations prohibit assignment of women to units that would be involved in "direct combat," which is defined as "engaging an enemy with individual or crew-served weapons while being exposed to direct enemy fire, a high probability of direct physical contact with the enemy's personnel, and a substantial risk of capture." It seems to me that sending women pilots on an air assault mission in enemy territory is in direct contravention of Army regulations. Would you comment?

Answer. Women in the Army are precluded from flying attack helicopters and scout missions. However, they can fly missions that transport troops, equipment and supplies in support of combat operations. The press outlined that women were piloting helicopters that airlifted men, equipment, fuel and ammunition in support of the assault into Iraq. While this support mission exposed the pilots to the combat environment, their mission was not to engage the enemy, but one of supporting the assaulting force led by attack helicopters.

Question. According to the newspapers, two Army truck drivers, one of whom was female, are presumed to have been taken prisoner by the Iraqis. Have you had any word about either of them?

Answer. On January 31, Specialists David Lockett and Melissa A. Nealy were reported missing after the light personnel vehicle they were traveling in was found empty beside a highway on the Saudi eastern coast. We understand the Iraqis released both of these soldiers on March 4.

Question. Secretary Cheney, prewar intelligence estimates place the number of Iraqi tanks at 4,500 in addition to thousands of artillery pieces, APC's and multiple rocket launchers. It is likely that the war will end with much of this weaponry still intact and in the possession of U.S. and allied forces. Naturally, there is a concern that the transfer of this equipment to other nations in the region could stimulate another arms race in the Middle East.

What is the U.S. policy on disposing of all of this captured equipment?

Do you have any intention of providing this war equipment to other coalition partners as a reward for their contributions to Operation Desert Storm? If so, which countries?

Have any of our coalition partners asked for any captured Iraqi equipment?

Answer. US CENTCOM, in its attempt to reduce the danger from this equipment, has destroyed the vast majority of this equipment. Some individual pieces may be retained for study by the U.S. prior to destruction.

There are currently no plans under consideration to distribute captured equipment to coalition partners.

I am not aware of any request for captured Iraqi equipment.

Question. Secretary Cheney, current estimates place the cost of reconstruction in Kuwait, conservatively, at between $60 and $70 billion.

Will United States contractors be given any special consideration in the award of post-war reconstruction contracts?

Will our Desert Storm allies, particularly, Egypt, be granted opportunities to bid on post-war reconstruction contracts?

How will Kuwait's post-war reconstruction be managed? Is a role being contemplated for the U.S. Army Corps of Engineers? If so, what will be their role?

Will the U.S. take any steps to ensure that U.S. or foreign companies which illegally assisted in the buildup of Iraq's military, or in the acquisition of nuclear, chemical, biological or ballistic technology, be barred from post-war reconstruction contracts?

Answer. This question should be referred to the Government of Kuwait.

This question should also be referred to the Government of Kuwait.

The Corps of Engineers is currently under a $46.3 million contract with the Government of Kuwait to assist and manage the emergency restoration of essential services. This contract or a separate contract may be initiated by the Government of Kuwait to allow the Corps of Engineers to manage some of Kuwait's long-term reconstruction programs.

The companies dealing with the reconstruction of Kuwait will be commercial firms, primarily in the construction business and as such this question should be answered by the Department of Commerce.

FAMILY SUPPORT

Question. We are all concerned about the effect Desert Storm is having on the families of our military serving in the Gulf. Can you tell us what measures the Department has taken to assure that military families—many of them very young and away from their own traditional family support—are being cared for while military members are away and what priority the Department places on these measures?

Answer. DOD has had a long-term commitment to family support and assistance to family members. As evidence of this, the Department had in place an infrastructure for providing assistance through almost 400 family centers located at our installations worldwide. These family centers are a central installation resource for services such as financial counseling, spouse employment and relocation assistance, information about and referral to community resources, and crisis assistance. These centers have mobilized to address specific needs related to Desert Shield such as unit information, assistance with financial or personal problems, and ongoing support groups. Many have hot lines and 24 hour operations and have evolved into expanded assistance centers that include legal assistance, chaplains, and unit representatives. A similar structure has been put in place for reserve families through the National Guard Bureau. In addition to this network of centers, the American Red Cross, United Service Organization (USO), and many private organizations and citizens are assisting families not located near an installation and extended family members such as parents and siblings.

These formal structures are augmented by volunteer organizations such as unit support groups, Ombudsmen, Key Wives, and similar groups to provide emotional support, assistance, and sustainment during periods of anxiety. These groups provide empathy and true understanding of emotions the family member is enduring. These support groups provide the support that a "traditional" family may have provided.

Support groups for children have been established on many installations to address children's issues and provide them with support from others in similar situations. A multitude of materials has been designed and published by installations. Copies of a booklet for children, "Someone In My Family Went Off to the Middle East," were distributed DOD-wide and are used in support group meetings and by parents to channel discussions and facilitate exchange of concerns. Many installations have put on puppet shows, plays, and other imaginative events to provide support for children.

The Department of Defense Dependents Schools (DoDDS) have also taken a proactive stance to manage the concerns of children. DoDDS has augmented its staff of counselors to provide counseling and support to parents, teachers, counselors, support group leaders, chaplains, and volunteers. This effort is to ensure all children affected by the deployment and conflict can discuss their concerns.

Question. Is there any system in place to assure that the military itself is involved in family support programs on individual bases?

Answer. The existing structure which has functioned so well in this war is run by the military installation commander and, in many cases, staffed with military personnel. The center stays in close touch with individual unit representatives and serves as a link between that unit and families. During the deployment, commanders routinely held information briefings and meetings to hear and resolve the concerns of families. Equally important, the volunteer structure I referred to earlier has an immediate relationship with the military unit.

We know from both research and experience that family well-being is related to individual performance and thus mission accomplishment. This is particularly true in this age of high speed communication. Our military leaders at all levels have managed this relationship in an expert and sensitive manner. Not only are they involved at the installation level, they are the ones who made our programs a success.

Question. Can you identify any needs in family support programs that are not now being met?

Answer. The range of services and programs offered through our family support network has taken care of most issues evolving from Desert Shield/Desert Storm. Families have fared well and programs have been a success. Contact with installations, and on-site review of programs and issues have revealed how effectively family support programs have functioned and how well military commanders have dealt with this crisis. In program areas where family center support staff were not adequately resourced, personnel from other activities, such as drug and alcohol counselors, were diverted to assist. Additionally, the support from the military and civilian community has been overwhelming. The American Red Cross, USO, Armed Forces YMCA, and numerous other local organizations have provided volunteers and services, and corporate America and not-for-profit agencies have called offering goods, materials, and monetary donations to help military families where they felt a need was not being met. Overall, we have been extremely proud of the way our programs functioned, the community support we received, and the sensitive leadership shown by our military commanders.

Question. Mr. Secretary, Operation Desert Storm has utilized a substantial percentage of the United States' active force structure. What elements of the force structure currently engaged in the Persian Gulf will be eliminated in the Department of Defense's planned force reductions between fiscal years 1992 and 1997?

Answer. The very large force structure reductions we are currently planning for fiscal year 1992-97 are all the more remarkable considering that we have been proceeding with those plans despite our being engaged in such a massive military operation. Major combat force elements deployed to Desert Storm which are programmed to be removed from the force in fiscal year 1992-97 include the following:

For the Army, although some unit designations and relationships may change, the units sent to Desert Storm yet now planned for removal from the force include the equivalent of one corps headquarters, two heavy divisions and two separate brigades or armored cavalry regiments.

For the Navy, forces sent to Desert Storm yet planned for decommissioning include the two remaining battleships (Missouri and Wisconsin) and four aircraft carriers (Midway, Saratoga, America and Ranger). A number of the smaller combatants which routinely operate with such capital ships will also be decommissioned.

In the Air Force, of the tactical air units (for example F-16's, A-10's) sent to Desert Storm, those now planned for removal comprise the equivalent of about three tactical fighter wings. (Some of these aircraft will provide more modern replacements for older, less capable assets retired from active or reserve units.) Also, a significant portion of the B-52's engaged in Desert Storm will be retired.

For the Marine Corps, overall (active/reserve) end strength cuts planned are equivalent to nearly half of the Marine personnel sent to Desert Storm. Units in Desert Storm that are now envisioned for deactivation include two armored battalions and three motor transport units.

Question. In view of the lessons learned from Operations Desert Shield and Desert Storm, can the new, much smaller force structure in 1995 perform an Operation Desert Storm-type mission while supporting our other international security commitment deployments?

Answer. The simple, but highly qualified, answer is yes, we would have the capability to deploy a similar sized force five years from now while still supporting our other forward commitments. That is to say, if we were simply to count the major elements of structure—the divisions, wings, battle groups, and so on—committed to Desert Storm and evaluate whether we could field that size of force again in the Gulf region, the answer is yes. To be sure, we could not field the exact same units, for some of these will leave the force over the next five years. And we may have shortfalls in some specific areas of force structure and lift. Particularly as it concerns lift and the ability to move forces to ports of debarkation, there is some doubt whether we could complete the deployment in roughly five-and-a-half months. But, by and large, we could deploy a similar sized force to the Persian Gulf area five years from now.

To this brief answer, at least, three additional points must be added. First, simply saying we could deploy a similar-sized force does not account for the likely risk we would incur in other parts of the world. Although it would not be necessary to call upon our forward deployed forces in Europe or the Western Pacific to complete a major deployment to the Persian Gulf region, we would be curtailed in our ability to reinforce these forces quickly with additional combat power. Nor would we have much in the way of forces to deploy to other trouble spots. In this regard, let us not forget that in the process of deploying forces to the Persian Gulf area, we also were able to evacuate noncombatants from both Liberia and Somalia. Second, a deployment on this scale likely would require that we move quickly beyond the 200,000 reserve call-up authority to partial mobilization, particularly if we wished to maintain additional ready forces in the Continental United States to offset the risks of another possible contingency. Third, our recovery from Desert Storm, in the form of supplemental appropriations, has not yet been decided. Even though we may have enough in the way of force structure and overall readiness, without the support of Congress we may find that we confront significant shortages by way of materiel, and, hence, we are not able to sustain such a force.

FORCE STRUCTURE REDUCTIONS IN VIEW OF OPERATION DESERT STORM

Question. What threat analyses support the projected reductions in force structure? Have these analyses been reviewed based on the knowledge we are gathering through planning and execution of Operation Desert Storm?

Answer. The "Joint Strategy Review Intelligence Assessment, fiscal year 1990–2010" was used as the threat analysis to support the projected reductions in force. The analysis has been reviewed in light of the ejection of Iraq from Kuwait. Clearly, the unprecedented coalition of forces, uncertain balance of power, and transformation of traditional American presence in the Gulf region presages a fundamental change in the calculus of SWA regional security. The nature of this change is yet unknown.

Planned force structure reductions were based on a reduced Soviet conventional threat, the demise of the Warsaw Pact as threat to Europe, and budgetary realities. As the potential for a European conflict developing into a global war decreases, however, the threat of regional conflicts will become more important in our military planning. The services are in the process of incorporating lessons learned from Desert Shield and Desert Storm into threat analysis. The successes and shortfalls of these operations will impact military planning for years, just as experiences from past wars have influenced execution of this campaign.

DESERT STORM

Question. Mr. Secretary, when I was in the Arabian Gulf region last week, I had an opportunity to visit the Navy's hospital ship MERCY. It appeared to be well equipped, and the morale of the ship's personnel was high. I was tremendously impressed with the dedication and professionalism, not only of medical personnel assigned to the ship, but also of the ship's crew. I think the Department is to be congratulated on what is clearly a well-planned operation and on the rapidity with which facilities for sophisticated medical care were provided to our troops in the Gulf. I did not have an opportunity to visit the COMFORT, but I am sure the same statements could be made about it, as well.

It has been many years since the Department of Defense has had to provide a massive medical program for personnel stationed half-way around the world. While anecdotal evidence indicates that problems have been few, the sheer size of the undertaking must have brought some problems in planning or execution to the fore. What lessons has the Department learned from this exercise?

Answer. It is still too early to determine lessons learned from the Persian Gulf War. That is one of the multitude of tasks on our agenda. We will accomplish this via data collection surveys and after action reports from the commanders in the field.

Question. Several months ago, the television program "Nightline" devoted one of its segments to medical care in the Arabian Gulf. Doubt was expressed that the medical system in place was adequate—the equipment was old, essential supplies were missing or were present in insufficient quantities. Do you believe that the problems were real, and, if so, have they been solved?

Answer. During the early stages of Operation Desert Shield a few Army hospitals were deployed with Vietnam-era equipment. These hospitals represented a small portion of our medical system capability and were subsequently modernized with state-of-the-art Deployable Medical Systems (DEPMEDS).

Our military Medical Departments responded with precision to the crisis in the Persian Gulf. That response and the quality of the combat medical capability was without historical precedent. The primary combat casualty care goal of the Medical

Departments is to provide the capability to return personnel to duty as soon, and as far forward as possible, and to safeguard the well-being of those who cannot be returned to duty.

This combat casualty care objective was met during Operations Desert Shield and Storm. The Persian Gulf was the scene for the application of new advances in our medical readiness posture. Two hospital ships and a large number of DEPMEDS were deployed to the Persian Gulf. These assets were acquired over the past five years and consist of state-of-the-art field medical equipment. All of these helped provide the highest level of hospital care ever afforded U.S. combat forces.

Question. As a matter off parochial interest, is there any likelihood that casualties from the Arabian Gulf will be evacuated through Diego Garcia to Tripler Army Medical Center in Hawaii?

Answer. All casualties evacuated from the theater of operations were evacuated via the United States European Command. They were subsequently moved on to the United States. A casualty whose duty station originated in the Tripler Army Medical Center catchment area, would have been ultimately evacuated to that medical treatment facility, provided the requisite care for that patient's needs was available at that facility.

FUEL COSTS

Question. The Committee is aware that the host nation support agreement reached with Saudi Arabia called for the Saudis to cover all fuel costs associated with our activities in the region. Little information has been provided on what costs the Saudis are actually bearing.

What fuel have the Saudis actually provided and to whom?

Answer. The Government of Saudi Arabia committed to provide all required fuel in Saudi Arabia and surrounding waters after the end of October. Fuel outside Saudi Arabia remains a U.S. responsibility. From August 7 through the end of October 1990, United States forces paid for fuel obtained in Saudi Arabia. The Saudi government deposited $760 million into the U.S. Treasury Defense Cooperation Account to offset costs incurred for this period, including fuel costs.

CENTRAL Command reports that, through the end of January the Saudis have provided United States forces with approximately $700 million for assistance in kind (i.e, free) petroleum products. This is in addition to the fuel reimbursement within the $760 million deposit to the Treasury.

Question. For example, do commercially-owned aircraft transporting military goods from the U.S. receive free fuel?

Answer. DOD policy is that contract, chartered, and Civil Reserve Air Fleet (CRAF) carriers may receive fuel free of charge. The government of Saudi Arabia has expressed its willingness to provide free fuel for both military and CRAF aircraft flying missions in support of Operation Desert Storm. Problems have been experienced in that the private contractors in Saudi Arabia have been billing commercial carriers after the fact for these ostensibly free issues of fuel. These problems are being worked out in order to receive the promised fuel benefit.

Question. The justification material submitted with the Supplemental mentions that the Department is paying roughly $48 per barrel of fuel (actual data show DOD paid about $50 and $45 per barrel in December and January, respectively.)

Answer. The Department recorded actual fuel costs of $49.91 per barrel for December 1990 and $45.35 per barrel for January 1991. These costs are exclusive of the free fuel received. They contribute to the composite fiscal year 1991 fuel cost of $47.64 per barrel recorded through January, which is the latest available data.

Question. When refined fuel products costs were running generally between $30 and $35 per barrel in December and January, why is the Department paying as much as 40 percent higher for these types of products?

Answer. The Department's cost of fuel includes the fuel itself, refining cost and refiner's markup, transportation, and fuel operations and facilities maintenance costs. The composite fuel price of $47.64 per barrel for fiscal year 1991 recorded through January includes $2.53 per barrel in transportation cost, $2.21 per barrel in operations/facilities costs, and $42.90 per barrel in refined fuel product costs.

Over eighty percent of the fuel the Department purchases is jet fuel. During this fiscal year, jet fuel has been the fuel most impacted by the rising prices. After the Iraqi invasion of Kuwait, the price of all fuels, including automobile fuels, rose less than the equivalent price for jet fuel per barrel. This reflects market conditions and pricing decisions in the fuel economy. DOD purchases are predominantly for jet fuel products; thus, DOD has recorded costs higher than the average of all fuel products.

Questions Submitted by Senator Jim Sasser to the Department of Defense

MILITARY CONSTRUCTION

Question. The package indicates $605 million in military construction requirements. Of this amount $133 million is for calendar year 1990 and $122 million is for expenditures during the January-March 1991 period. What is the remaining $345 million for?

a. Provide for the record the Form 1391's developed by the central command and the military services in support of this $605 million requirement.

b. What percentage of the $605 million supports permanent construction. List for the record each permanent facility assumed under the $605 million.

Answer. The $605 million included in the supplemental reflects anticipated military construction costs associated with Desert Shield/Desert Storm. All construction projects are to be financed by the Saudi Government and therefore are not supported by normal 1391's since the projects were not subject to review, justification, or approval by the Department.

Question. Does the $605 million military construction requirement include in-kind contributions from Saudi Arabia, Japan and the United Arab Emirates?

a. In dollars, how much military construction in-kind has been provided by our allies?

b. Why haven't we sought to have our allies provide for all of in-theater military construction requirements through in-kind contributions?

Answer. All $605 million represents requirements that will be financed through in-kind contributions by our allies.

Question. The package indicates that an additional $100 million will be necessary for facility dismantlement at the end of the war. Is this part of the $605 million requirement?

a. Why don't we ask the host nations to provide for facility dismantlement as an in-kind contribution?

Answer. The $605 million does not include funding for dismantlement, however, in-kind contributions will be requested and we anticipate favorable consideration by our allies.

Question. Under Operations and Maintenance, Army, "Equipment Procurement," the package states a requirement for $100 million for construction material. Is this part of or in addition to the $605 million?

Answer. No. This requirement is in addition to the $605 million for construction.

Question. The committee has previously approved reprogrammings for Desert Shield planning and design activities. Are these amounts included in the $605 million?

a. The Army reprogrammed funds from previously approved projects to cover the cost of Desert Shield planning and design. Are those projects to be canceled or will the working capital fund be utilized to replenish the Army account? List the projects for the record.

Answer. Planning and Design is not included in the $605 million; however, the Department anticipates reimbursement for all expenditures associated with construction in support of Desert Shield/Desert Storm.

Question. What additional military construction activities have been undertaken under the President's emergency authorities? List those projects for the record.

Answer. The President's emergency authority section 2808 was invoked for one Air Force project at Dover Air Force Base, DE. Congress was notified on January 31 on the details of the project.

Question. Does this package provide for any military construction in-theater which might be required after the war is concluded?

a. Has the Central Command identified any in-theater post-war military construction requirements?

b. Have any post-war pre-positioning requirements been identified?

Answer. We anticipate future military construction will be needed to meet both post-war requirements and pre-positioning; however, it is too early for these requirements to be definitized. Many political considerations will need to be resolved prior to any definitive future programs in the Persian Gulf.

QUESTIONS SUBMITTED BY SENATOR TOM HARKIN TO THE DEPARTMENT OF DEFENSE

INVESTMENT FUNDING

Question. You have requested 500 Patriot missiles when at most, from the public record, only 140 have been fired. You stated that this request for 500 was made on the assumption more Scuds and therefore more Patriots would be needed in the war. Car we assume that the requests for other missiles (TOW, ATACMS, MLRS HELLFIRE, etc.) and ammunition were made under similar assumptions? Have you requested two to three times more of these systems on the assumption that the war would last longer or that the resistance would have been more intense?

Answer. The munitions requirements were based on a production surge requirement that was based on the ability to produce the specified requirement within the fiscal year 1991 funded delivery period and the in-theater requirement that was determined before hostilities began. The munitions requirements were not based on any estimated consumption rate or projected duration Of the conflict.

Question. If the war does end soon, and with minimal combat losses as we all hope and pray, will you reduce your request for Patriot from 500 missiles down to 140 (or the actual number expended)? Will you reduce the requests for other items within the supplemental to reflect actual combat losses?

Answer. Now that hostilities have ended, the Department will use supplemental funding only to ensure fiscal year 1991 planned munitions inventory levels are preserved based on the actual consumption and to finance production to avoid production breaks where production was already surged to support Desert Shield/Desert Storm.

MEDICAL SUPPORT

Question. The supplemental budget request includes $804 million for "medical support" for the military. What part of that, if any, would be available to DOD to reimburse VA for the cost of caring for military personnel under the Contingency Plan?

Answer. The Desert Shield medical support cost estimate of $804 million does not include any funding to be transferred to the Veterans Administration for the cost of caring for military personnel under the Contingency Plan. The following table depicts the categories of incremental medical support costs:

[In millions of dollars]

	Army	Navy	Air Force
CHAMPUS	72	106	52
Vaccinations	237		26
Medical supplies	153	26	43
Supplemental care	9		
Other medical	68		12
Total	539	132	133

QUESTIONS SUBMITTED BY SENATOR BROCK ADAMS TO THE OFFICE OF MANAGEMENT AND BUDGET

DISTRICT OF COLUMBIA

Question. Mr. Darman I note that the emergency supplemental funds you have requested for most agencies, including the District of Columbia, are to carry them through March 31, 1991. If those costs should extend beyond that time, how soon would you request an additional amount?

Answer. In the event that emergency supplemental funds are needed beyond March 31, 1991, the Administration will make a determination at that time how to respond to the additional funding needs.

Question. Asking the previous question, and this series of questions, reflects my concern that the District government, unlike the Federal government, must be concerned with balancing its budget. Part of that is management of cash flow. In your letter to the President transmitting this request for his consideration you distinguish between the defense supplemental and the non-defense Dire Emergency Supplemental. Since the origin of these costs, both defense and non-defense, is the same why shouldn't they be considered together?

Answer. The Budget Enforcement Act contains a provision exempting the incremental costs of Operation Desert Shield (section 251(b)(2)(D)(ii)). Other costs, whether direct or indirect, not connected with Operation Desert Shield (including increased security in the District of Columbia) are not exempted by this provision.

Question. If they are not considered together, will you consider the District government's increased interest costs, incurred due to the delay in enactment, because of the need to borrow in public or private financial markets to meet these expenses?

Answer. Delays in the appropriations process are inevitable. Interest costs associated with holdups in Congressional action do not affect the District any more or less than other federal agencies and programs. Such costs are borne equally amongst federal agencies and programs. The District of Columbia should not be selected for special treatment.

Question. Mr. Darman, as you know the District government, like many other State and local governments, is experiencing the twin problems of lower than anticipated revenues coupled with higher than expected expenses. Unlike other State and local governments the District's major land owner and taxpayer, the federal government, is allowed to decide what amount it will pay. In recent years that amount has not kept pace with increases in the federal budget or with inflation. In light of these events what role do you believe that the federal government has in assisting the District in closing its $300 million deficit?

Answer. The annual federal payment to the District of Columbia is intended to compensate the District for net costs imposed on the city by the federal government. The federal presence in this city, however, may actually add more to District tax revenues than it does to operating costs. Local income, property and sales tax receipts are highly dependent on federal employment in the District. The city also receives tens of million dollars annually in other direct federal assistance (e.g., zoo, museums, parks, Kennedy Center, jail construction, etc.) not provided to other State and local governments.

The Administration believes that it is premature to provide a $100 million increase in the federal payment to the District of Columbia. The District has not yet fully implemented the Mayor's plan to reduce agency spending and increase user charges to close $216 million of the estimated $316 million fiscal year 1991 deficit gap. In addition, the District has not formulated a long-range plan to restructure local revenues and spending to solve its fiscal crisis. Without such plans to resolve the city's fiscal problems, even larger federal payments may be required beyond fiscal year 1991. The federal government, which is facing its own severe deficit, cannot be expected to solve the District's deficit gap before the District has taken every effort to resolve their own fiscal problems.

Question. The Mayor has requested that the federal government consider providing an additional federal payment of $100 million in 1991. If the District Council should enact and the Mayor sign such a request to the Congress, as part of their supplemental package, will you recommend that the President transmit that request, with or without a recommendation?

Answer. The Home Rule Act requires the Mayor to submit a budget to the President for transmittal to the Congress that includes a federal payment that does not exceed the amount authorized by Congress. In past years, this requirement has been interpreted to include federal payment levels proposed for authorization in the President's Budget. This Administration and previous Administrations have never transmitted a District budget to Congress that includes a federal payment or other direct federal assistance that differs from estimates included in the President's Budget.

Question. Related to these questions are questions about the future of the federal payment. In the President's request for fiscal year 1992 the federal payment increases for the first time in 4 years. Does this indicate that future increases will be considered?

Answer. Future budget decisions about the federal payment will be made at the same time other domestic discretionary budget decisions are made.

Question. One of the key goals of the District government in recent years has been to create a stable and predictable federal payment. Is there a formula basis that you could support or propose for the level of the federal payment, or do you believe that the current system is adequate?

Answer. There is no one analytically correct approach or formula for determining the net burden of the federal presence to the District. The 1992 budget proposes a $484 million federal payment to the District, up $53 million from enacted levels.

This amount is consistent with three different approaches to establishing a formula for the federal payment. It is roughly equivalent to:

—16.7 percent of total 1989 District revenues. Federal land (exclusive of park land) accounts for 16.7 percent of all District land; or

—the District's estimate of forgone property taxes on Federal real estate, offset by Federal costs incurred to operate and maintain Federal properties (museums, parks, cultural centers) widely used by District residents; or

—the District's estimate of forgone property taxes on Federal real estate adjusted downward by one measure of the Federal Government's "ability to pay"— the ratio of 1990 actual Federal receipts (revenue raising capacity) to outlays (expenditure needs).

Question. In 1984 legislation was enacted which provided for the transfer of St. Elizabeths Hospital to the District of Columbia. As part of that legislation the Executive requested and the Congress appropriated transition funds, which ended in 1991. Also part of that legislation grants from the Department Health and Human Services totaling $84 million were authorized. How much of those funds were appropriated?

Answer. Between 1988 and 1991 the President requested appropriations for the full $84 million authorized, plus an additional $38.3 million for transition related expenses, for a total of $122.3 million. Congress appropriated $82.1 million plus $36.7 million over the same period for a total of $118.8 million.

QUESTIONS SUBMITTED BY SENATOR BARBARA A. MIKULSKI TO THE DEPARTMENT OF DEFENSE

CHEMICAL DEFENSIVE EQUIPMENT

Question. I have received complaints from soldiers and veterans about the M-17 gas mask and the current supply of protective suiting. These comments are in conflict with DOD claims that the equipment is adequate. Will you pledge to take a fresh look at our chemical defensive equipment, to survey the men and women in the field for their opinions and to give this review a high priority?

Answer. Chemical and biological defense remains one of my highest priorities. The Military Departments, in conjunction with representatives of the Office of the Secretary of Defense, the Joint Staff and the unified commanders-in-chief, continually review the operational requirements for defensive equipment. A major portion of these reviews is assessing the needs of people down in the units.

American protective masks and overgarments have demonstrated that they meet all requirements for protection against known threat agents. Like all other items offering equal protection, they do impose some physiological burden on the wearer. However, we have a very large tri-service effort underway to overcome these difficulties.

During Operations Desert Shield/Desert Storm, we never lacked any critical equipment. Sufficient quantities were available to meet all of our theater requirements.

Question. Secretary Cheney, do you believe you will need to activate the VA/DOD Contingency Plan?

Answer. No, it was not necessary to activate the DVA/DOD Contingency Plan.

QUESTIONS SUBMITTED BY SENATOR BARBARA A. MIKULSKI TO THE OFFICE OF MANAGEMENT AND BUDGET

CONTRACT MEDICAL CARE

Question. Paying for veterans' care in a VA hospital ($451/day) is, on average, about half as expensive as paying for it in contract hospitals ($832/day). Will VA be reimbursed for the additional cost of caring for a veteran who must be moved to a community hospital to make room for a GI? If not, how do you expect VA to absorb this additional cost?

Answer. VA has established a patient cost tracking system for use during Desert Storm that will allow the Department to estimate the resource impact of moving each veteran from a VA to a non-VA facility. By using a patient-specific tracking model at the individual facility level the Department will not have to use gross system-wide averages such as those cited in the question above. These averages do not accurately reflect the specific case mix of patients or the relative costs of health care across individual communities and between VA and non-VA providers. Once these data are available we can determine whether or not the system is incurring additional costs, breaking even, or saving resources by transferring patients to non-VA facilities.

Question. Have any estimates been made as to how many veterans may have to be relocated to private hospitals in the event the Contingency Plan is activated?

Answer. The number of veterans that would be discharged to non-VA hospitals under the Contingency Plan would depend largely on the health care facilities that may be available in the local communities, the medical needs of veterans in VA hospitals, the total number of DOD patients directed to VA facilities, and the type of treatment these DOD patients would require. Currently, VA takes a daily census of veteran patients who could be moved to non-VA facilities. However, without knowing how many DOD patients there may be and what specific types of medical care they may need, VA cannot estimate how many of these veterans would be transferred to non-VA facilities.

DENTAL CARE

Question. Veterans are entitled to complete a dental check-up and follow-up upon being discharged from the military. VA has said that the average cost is $500 per case and that VA estimates 40 percent of new veterans would use this benefit. If VA is required to perform dental work for, as an example, 40,000 new veterans at a total cost of $20 million in 1991, would the administration request a supplemental for that mandated activity? If not, why not?

Answer. The Department and the Office of Management and Budget are currently examining the possible effects of Operation Desert Storm on the VA Medical Care system. Once this examination is completed, the need for supplemental resources can be appropriately addressed by the Administration.

POST-TRAUMATIC STRESS DISORDER

Question. PTSD is currently being re-experienced by many Vietnam vets as a result of the Persian Gulf war. Fifteen percent of all 8.3 million Vietnam vets still suffer from PTSD, and there are currently more Vietnam vets in need of PTSD assistance that there are resources to help them. The influx of Persian Gulf victims suffering from PTSD will significantly add to this backlog of need. Will the Administration request additional funding to address this need?

Answer. The Department and the Office of Management and Budget are examining the possible effects of Operation Desert Storm on the VA Medical Care system. Once this examination is completed, the need for supplemental resources can be appropriately addressed by the Administration.

ADDITIONAL COSTS DUE TO LOSS OF RESERVISTS

Question. Due to the call up of many reserves in the VA system, many hospitals have had to rely on contract care and overtime to compensate for their loss. What additional costs has VA incurred as a result, and what is the total cost expected for 1991? Will VA get reimbursed for this cost which is a direct result of Operation Desert Storm?

Answer. The Department and the Office of Management and Budget are examining the possible effects of Operation Desert Storm on the VA Medical Care system. This examination includes the budget impact of the additional replacement costs and salary and benefits savings for the more than 3,000 VHS&RA employees who have been called to active duty. Once this effort is completed the need for supplemental resources can be appropriately addressed. VA's general policy has been to fill vacancies resulting from the call ups by hiring full-time permanent employees instead of increasing contracts and overtime. Currently the Department expects that any limited additional health care costs can be handled within existing funding levels.

VETERANS BENEFITS ADMINISTRATION

Question. About $12 million is needed for the Veterans Benefits Administration for additional staffing and equipment to process new veterans' claims. Why are no funds being requested for this activity?

Answer. The Administration's supplemental request before Congress is for costs incurred by agencies between October 1 and March 31. The Administration is currently developing an analysis of the resources to support the potential workload increases resulting from Operation Desert Storm. This analysis would include estimates for training and equipping staff to assist veterans and process additional VA claims for discharged personnel. As described in the answer to another of your questions, the Administration does not expect many new veterans to come out of Operation Desert Storm. Since the fall, discharges from the military have been significantly less than planned. Discharges from the regular active duty military will return to the original schedule as soon as possible. The only additional call-ups were for reservists. More than one-half of the reservists are veterans, having previously served in the active duty military, and virtually all of them will return to the civilian jobs that they left when they were called up. VA is prepared to process service-connected and non-service-connected claims that result from Operation Desert Storm discharges within available resources. However, the Administration is continuing to monitor the situation as it unfolds, and will not oppose the $12 million currently in the House supplemental mark.

Question. How much does VA need to ensure quick processing of new veterans claims while continuing to process existing claims as quickly as possible?

Answer. As stated above, the Administration does not expect many new veterans as a result of service during Operation Desert Storm. At this time, VA is preparing to be able to process both service-connected and non-service-connected claims within available funds. The Administration is continuing to monitor the situation as it unfolds, but $12 million certainly will cover any incremental costs.

NATIONAL CEMETERY SYSTEM

Question. VA estimates that about 21 percent of the Desert Storm casualties will be buried in national VA cemeteries, which is consistent with the Vietnam War experience. Do you anticipate that additional funding will be needed for the National Cemetery System to develop additional gravesites or construct columbariums?

Answer. As of February 21, 1991, 21 burials have taken place in the National Cemetery System due to Operation Desert Storm. This represents approximately 13 percent of all Operation Desert Storm deaths to that date. Given the relative low incidence of casualties resulting from combat in the Persian Gulf, additional funding for the development of additional gravesites or columbarium construction is not being contemplated at this time.

Question. From 1983 to 1990, burials and grave site maintenance have increased by 35 percent and 19 percent respectively. Yet the increase in staffing has been only 2.8 percent. Given the increased activity as a result of Operation Desert Storm, will the administration request a supplemental for additional staff for the National Cemetery System? If not, why not?

Answer. As noted above, there is a relative low incidence of casualties as a result of Operation Desert Storm. Consequently, additional demand for service at the national cemeteries has been low. The VA has currently allocated $53.5 million in budget authority and 1,237 FTE to fulfill the missions of the National Cemetery System (NCS) in fiscal year 1991. A supplemental request for the NCS for Operation Desert Storm activities is not being contemplated at this time.

Question. Veterans have complained that VA cemeteries are not adequately maintained. They estimate that $2.1 million is needed just to reduce the maintenance and repair backlog of $2.1 million. Will a supplemental be requested to address this need so that veterans cemeteries can be maintained in a dignified fashion?

Answer. Funding for maintenance and repair projects and equipment has been reduced in recent years in support of the NCS's priorities and a 1991 reprogramming to support a Congressionally mandated personnel floor for the Veterans Benefits Administration. The NCS has funded high priority maintenance and repair projects and equipment purchases that are essential for the continued operation and maintenance of national cemeteries. A supplemental for NCS for maintenance and repair backlog reduction is not being contemplated at this time.

COSTS OF CARING FOR NEW VETERANS

Question. Does the Administration have any estimates of the number of new veterans that will come out of Operation Desert Storm in 1991?

Answer. The Administration expects that there will be few new veterans as a result of service during Operation Desert Storm in fiscal year 1991. Since the fall, discharges from the military have been significantly less than planned. Discharges from the regular active duty military will return to the original schedule as soon as possible. Approximately 225,000 reservists have been called up. More than one-half of them are veterans, having previously served in the active duty military.

Question. If there is a large influx of new veterans coming out of Desert Storm, will the Administration request a supplemental for the added cost of care of these new veterans? If not, how will VA absorb these additional costs?

Answer. There is not expected to be a large influx of new veterans coming out of Operation Desert Storm.

QUESTIONS SUBMITTED BY SENATOR ARLEN SPECTER TO THE DEPARTMENT OF DEFENSE

Question. What will be the status of military equipment currently deployed on Saudi Arabian soil for use by U.S. forces during Operation Desert Storm once Iraq has withdrawn from Kuwait and has fully complied with U.N. resolutions on the matter. Do you expect to leave some of the equipment under Saudi control after the withdrawal of U.S. forces?

Answer. As the Administration notified the Congress last fall, six Patriot fire units are being sold to Saudi Arabia from among the Patriot systems deployed to the Kingdom for Desert Shield/Storm. These fire units will be replaced from new procurement funded by the proceeds of this sale. Other equipment may be left behind as stock prepositioned for the use of U.S. forces in a future contingency, but the details of such an arrangement have not yet been worked out with the Saudi Arabian and other regional governments.

Question. What is the status of the U.S. team reportedly to be sent to Saudi Arabia to evaluate future Saudi defense needs? Has the team been sent to the region, or has the trip been postponed? Will the "Phase II" arms sale to Saudi Arabia be formulated on the basis of this report or on defense industry needs—such as closing production lines?

Answer. The convening of the Joint U.S.-Saudi Security Review Group was put on hold because of the requirement for the U.S. Central Command and Saudi staffs to focus on planning and executing Operation Desert Storm. We expect the group to meet once the situation in Kuwait is sufficiently stabilized to permit U.S. and Saudi officers to give the security review adequate attention. The recommendations of this joint group will be the basis of future major defense sales to Saudi Arabia as well as of other forms of U.S.-Saudi military cooperation.

Question. Secretary Cheney, regarding the post-war era, you testified last week that the Administration will examine the possibility of "prepositioning" heavy military equipment in the Persian Gulf following the war. In such a scenario, would prepositioning take the place of arms sales to the region? What are the Administration's plans for future arms sales to the region? Isn't the fact that we now have 500,000 troops in the region graphic proof of the failure of prior U.S. arms sales policies to Saudi Arabia? Given the instability in the region, do you see any danger in prepositioning? Who would maintain control over these supplies? Would the U.S. also preposition defense equipment in Israel?

Answer. Prepositioning and arms sales would be complementary components of a comprehensive strategy for regional security; one would not substitute for the other. Sales are primarily designed to strengthen Saudi Arabia's ability to deter attacks, to defend against them should deterrence fail, and to operate effectively as part of a combined force should U.S. reinforcement again be required. Prepositioning would be designed to facilitate such a reinforcement by reducing lift requirements for U.S. units. (The mechanics of a prepositioning arrangement have not been worked out; they may involve using some sales procedures, but such sales would be clearly distinguished from normal sales intended to support Saudi forces.)

The Administration believes that the Desert Shield/Storm experience teaches several lessons regarding defense sales. Among others, it shows that Saudi Arabia and the other GCC countries require much more capable military forces than they possessed before August 2. The Administration fully intends to support the GCC countries in developing realistic forces consonant with the buyers' defense needs. Desert Shield/Storm also teaches us that our operations would have been infeasible without prior sales to Saudi Arabia and other countries in the region. Thirdly, it teaches us that claims that the Saudis and others could not use American weaponry were unfounded. Saudi, Kuwaiti, and Bahraini forces used American AWACS, F-15's, F-16's, A-4's, M60-series tanks, M113-series armored personnel carriers, V-150 wheeled armored cars, coastal minesweepers and patrol boats, and other U.S.- made equipment to good advantage and gave an excellent account of themselves in both the air and ground campaigns. There was never any expectation that previous sales to these countries could enable them to defeat a determined assault by an army the size of Iraq's.

There is always some danger in prepositioning military equipment, regardless of the region. The question is whether the risks of prepositioning are greater or less than the risks of having to ship vast amounts of equipment from a zero-based before it is too late.

Control over prepositioned supplies would be worked out on a bilateral basis between the host country and the U.S. Government.

The United States already prepositions equipment in Israel as directed by law, despite the lack of any military need to do so.

Question. Is the Administration committed to maintaining Israel's qualitative edge threaten the stability of the region?

In your view, does the erosion of Israel's qualitative edge threaten the stability of the region?

Do you view the repeated missile attacks on Israel's civilian centers as evidence of the decline of Israel's qualitative edge?

If it has taken the combined allied forces this long to weaken just one of the enemies of Israel, are you confident that Israel alone could defeat any combination of Arab forces it might face?

How would you assess the current strength of Syria's Armed forces?

Answer. This Administration is committed to maintaining Israel's qualitative edge in the region and there is no doubt that Israel's qualitative edge has increased considerably as result of the war against Iraq. The defeat of Iraq has significantly diminished the threat to Israel, not only because Iraq is no longer a significant military threat but also because of the proven relationship between the U.S. and our coalition partners.

We do not view Iraq's missile attacks against Israel as an indication that Israel's overall qualitative edge has diminished. We view the development of Israel's antitactical ballistic missile (ATBM) capability as one component of Israel's defensive system that will continue to be a priority for the future. Israel is committed to improve upon this aspect of their military structure through their commitment to the ARROW ATBM experiment.

Iraq is not just weaker; Iraq is defeated both strategically and tactically. Arab forces attempting to attack Israel would have both their air forces and armies exposed and would be very vulnerable.

Syria's armed forces consist of about 400,000 men organized in divisions, and some of the units in those divisions are in cadre status. Although Syria has some modern equipment, it does not have the economic capability to support a modern army and the lessons of Desert Storm and the performance of Soviet equipment in comparison to U.S. equipment have not been lost on Syria.

Question. Two weeks ago Secretary Baker testified that Israel "is a frontline state" in the war with Iraq. How much assistance is the U.S. and our allies providing other frontlines nations involved in the war with Iraq? How would you compare the damage inflicted on those nations with that inflicted on Israel? Why is there such disparity between aid to other "frontline" states and aid to Israel? Has Israel not been just as negatively impacted by the war as these other nations? Why has the Administration provided or elicited substantial aid for other frontline nations in the region—including Jordan—but not for Israel?

Answer. The Gulf Crisis Financial Coordination Group pledged in excess of $14 billion in economic assistance to frontline states such as Egypt, Turkey, and Jordan.

The Administration recognizes that Israel has made substantial sacrifices and suffered during this war. The Administration has requested $650 million in supplemental assistance to Israel and is encouraging our allies to provide additional assistance and they are doing so. Germany recently provided $996 million in military assistance. The EC has agreed to provide $210 million to Israel and Norway provided $2.6 million in humanitarian and economic assistance. The leased value to Israel of the Dutch PATRIOT unit is about $100 million.

Question. We applaud the U.S. decision to deploy PATRIOT missile batteries in Israel to provide at least a limited defense against incoming Iraqi SCUD missiles. However, given the collateral damage to Israel's and Saudi Arabia's population centers even when the PATRIOTS conduct a successful intercept, and given the fact that the PATRIOT would probably be unable to protect Israel from missiles tipped with chemical and other non-conventional warheads due to the missiles' relatively slow speed and inability to intercept incoming targets at high altitudes, would other ATBM systems, like the ARROW interceptor prove to be more appropriate to defend population centers like Tel Aviv, Haifa, and even Riyadh? Does the Administration support continued research and development of the Joint U.S.-Israeli ARROW ATBM program?

Answer. We are currently negotiating an MOA on a second series of experiments for the ARROW missile program. The Israelis have not yet made a decision concerning the production and eventual deployment of ATBM system based on the ARROW missile.

QUESTIONS SUBMITTED BY SENATOR ARLEN SPECTER TO THE OFFICE OF MANAGEMENT AND BUDGET

ISRAEL: A FRONTLINE STATE

Question. Is the Administration committed to maintaining Israel's qualitative edge in the region? In your view, does the erosion of Israel's qualitative edge threaten the stability of the region? Do you view the repeated missile attacks on Israel's civilian centers as evidence of the decline of Israel's qualitative edge? If it has taken the combined allied forces this long to weaken just one of the enemies of Israel, are you confident that Israel alone could defeat any combination of Arab forces it might face? How would you assess the current strength of Syria's armed forces?

Answer. The United States is fully committed to maintaining Israel's qualitative edge in the region. To do so, it has for decades provided Israel with large amounts of foreign aid, far more than to any other country. The Scud missile attacks on Israel were irrelevant to Israel's qualitative military capability. The Persian Gulf conflict has resulted in a decisive destruction of the Iraqi military, the largest and most sophisticated force confronting Israel. Hence, the Israeli military edge has been enhanced.

Question. Two weeks ago Secretary Baker testified that Israel "is a frontline state" in the war with Iraq. How much assistance is the U.S. and our allies providing other frontline nations involved in the war with Iraq? How would you compare the damage inflicted on those nations with that inflicted on Israel? Why is there such disparity between aid to other "frontline" states and aid to Israel? Has Israel not been just as negatively impacted by the war as these other nations? Why has the Administration provided or elicited substantial aid for other frontline nations in the region—including Jordan—but not for Israel?

Answer. It is not possible now to make a definitive comparison of the relative damage suffered by Israel and frontline states such as Turkey. Clearly Israel has suffered physical damage from Scud attacks and has incurred additional costs for military readiness. The United States is responding to Israel's difficulties. This year alone, we have already given Israel $3 billion in foreign military and economic support—38 percent of the total appropriated for these purposes. Since August 2, we have also provided about $1 billion in other transfers to Israel (without including the $700 million in authorized military stock drawdowns, $400 million in housing guarantees, or the four Patriot fire units now located in Israel). In addition, the Administration has reached agreement with the Government of Israel to support $650 million in assistance as reimbursement for the incremental Israeli defense costs for the Gulf War.

Question. We applaud the U.S. decision to deploy Patriot missile batteries in Israel to provide at least a limited defense against incoming Iraqi SCUD missiles. However, given the collateral damage to Israel's and Saudi Arabia's population centers even when the Patriots conduct a successful intercept, and given the fact that the Patriot would probably be unable to protect Israel from missiles tipped with chemical and other nonconventional warheads due to the missiles' relatively slow speed and inability to intercept incoming targets at high altitudes, would other ATBM systems, like the Arrow interceptor prove to be more appropriate to defend population centers like Tel Aviv, Haifa, and even Riyadh? Does the Administration support continued research and development of the joint U.S.-Israel Arrow ATBM program?

Answer. Yes, the United States is supporting such joint activity.

CONCLUSION OF HEARING

Senator INOUYE. The committee will stand in recess.

[Whereupon at 3:35 p.m., Thursday, February 26, the hearing was concluded, and the committee was recessed, to reconvene subject to the call of the Chair.]

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